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Kazimirov Promotes Peace Agreements in Helsinki

LD2306221795 Moscow INTERFAX in English 1523 GMT 23 Jun 95

[From the "Diplomatic Panorama" program]

[FBIS Transcribed Text] MOSCOW, JUNE 23 (INTERFAX) — President Yeltsin's plenipotentiary emissary for Karabakh and the emissary of the Russian co-chairman of the OSCE [Organization for Security and Cooperation in Europe] Minsk conference Vladimir Kazimirov told INTERFAX Friday that the latest round of Helsinki-based negotiations on Nagorno-Karabakh produced agreement on two "fairly important" provisions of the draft peace accord for Karabakh. The round of the Helsinki negotiations on Karabakh closed earlier this week.

Kazimirov said that agreement was reached on rules for the definition of Karabakh's legal status and approach to peacekeeping action.

It was decided, according to Kazimirov, that the legal status of Nagorno-Karabakh would be defined on the basis of a mutually acceptable compromise suggestion by the Minsk conference of the Organization for Security and Cooperation in Europe.

The conflicting parties are ready to pledge the rejection of unilateral actions that can bring to an end the OSCE peacekeeping efforts in the troubled area.

Agreement is yet to be reached on another 8 to 10 points of divergence, Kazimirov said.

In Kazimirov's view, the discussion of such key issues as the status of Nagorno-Karabakh and Shusha and Lachin showed that a possibility for rapprochement remains to be found.

He said the Minsk Group on Nagorno-Karabakh (a working body of the Minsk Conference — IF) had met in Helsinki immediately after the talks' completion. On Russia's initiative the Minsk Group urged the leaders of the conflicting parties to grant amnesty to all participants in the armed conflict.

Kazimirov said this would help to ease the tense atmosphere in the conflict zone and release those participants in the conflict who had been sentenced by court for various crimes or under this pretext as well as facilitate return of refugees.

He said the proposal on freeing war prisoners and hostages held by the conflicting parties as soon as possible had been raised once more. Kazimirov said that, according to the Red Cross, Karabakh had 97 such persons and Azerbaijan - 28 people. Armenia has freed all hostages and war prisoners.

Kazimirov said the co-chairmen of the Minsk Conference had decided to conduct in Yerevan, Stepanakert and Baku consultations with the leaders of the conflicting parties and then discuss the results of such consultations at the Minsk Group's meeting in Vienna.

He said the next round of talks was likely to take place in August.

When asked if the election campaigns in Armenia and Azerbaijan would influence the talks, Kazimirov said that internal political stability in these countries was very important for resolving the conflict because any destabilization of the situation might have a negative impact on the talks.

ITAR-TASS Carries Press Review for 27 Jun

LD2706071195 Moscow ITAR-TASS in English 0643 GMT 27 Jun 95

["Press Review" — ITAR-TASS headline]

[FBIS Transcribed Text] MOSCOW June 27 (ITAR-TASS) — Government-parliament relationships are the principal topic in today's Moscow-based newspapers.

ROSSIYSKIYE VESTI writes that "upon determining through voting on Friday, June 23, the most unacceptable figures in thegovernment (Interior Minister Viktor Yerin, Defence Minister Pavel Grachev, and Vice-Premier Nikolay Yegorov), the State Duma set up a commission consisting of factions' representatives under the chairmanship of House Speaker Ivan Rybkin for talks with the President and Premier on a government reshuffle".

"The reshuffle issue will be apparently decided upon before Thursday, June 29, when Russia's Security Council meets, so the Council will only seal a decision to this effect.

"On Saturday, July 1, the Duma will be able with clear conscience to vote for confidence in an already revamped government at Viktor Chernomyrdin's request. That resignations are not to be avoided, can be judged by the resolute attitude of the Duma members".

KRASNAYA ZVEZDA is of the opinion that "the intensification of passions over government-parliament relationships so far leads to quite concrete negative results which influence primarily the economic situation".

KOMSOMOLSKAYA PRAVDA points out that "Chernomyrdin has once again showed himself to be a peacemaker, this time in a conflict with the Duma. He calculated his moves quite splendidly. At first, he addressed the Duma in such an expressive and haughty manner that even those who did not want to vote

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for no-confidence in the government voted for the no-confidence motion. One day later, Chernomyrdin issued a counter-claim, firmly demanding that the Duma confirm its decision".

KOMSOMOLSKAYA PRAVDA carries an interview with State Duma Speaker Ivan Rybkin who stated "I do not think that Chernomyrdin, even after all that happened, is interested to see a completely pro-government parliament. He would also like to see Duma members who oppose his cabinet but do that adroitly, constructively and without hysterics".

PRAVDA believes that a dissolution of the State Duma in the first week of July would be an encroachment on Chernomyrdin's interests. If this is done, his unfinished "Home" (the Russia Our Home movement) will have to be pulled down. The ROH, which has been formed expressly for the forthcoming elections, will be able to participate in them only provided a parliamentary election is held in December.

PRAVDA runs an interview with Liberal Democratic Party leader Vladimir Zhirinovskiy who, speaking about the ROH, said "this movement is a purely government-formed one. All over the world it is the parliament that forms a government while our country does just the opposite. This is a wrong kind of democracy."

ROSSIYSKAYA GAZETA carries an interview by Valentin Kovalev, member of Russia's Security Council and Minister of Justice, who spoke about terrorism.

"The population's safety from terrorist encroachments is a problem of national importance. Therefore, while studying the causes of the hostage-taking tragedy in Bedennovsk and working out measures to help those who suffered from terrorists, one should rule out a recurrence of such tragedies in the future. From my point of view, it is also essential to enhance specialised anti-terrorist units both quantitatively and qualitatively".

ROSSIYSKIYE VESTI on food consumption decline in Russia.

The newspaper reports that per capita daily consumption of food over the past five years has diminished from 3,550 to 2,500 kilocalories and that the country went down the world's food consumption list from the seventh place to the 35th one.

IZVESTIYA notes that the Russain authorities, upon tightening watch on the Caucasians, has overdone it again, it seems, which is evidenced by a report by A. Zheludkov and A. Belyanchev from a police checkpoint on a road in Moscow region.

Police detain a tomatoes-laden truck, for example, on the plea that it can also carry bombs. But they do not bother to look for bombs while tomatoes rot, and no one intends to compensate damages to the owner.

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Gore-Chernomyrdin Commission Not To Sign Document on Iran

LD2606165195 Moscow INTERFAX in English 1516 GMT 26 Jun 95

[From the "Diplomatic Panorama" feature: by diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] MOSCOW, June 26 (INTERFAX) — No agreement on terms for cooperation between Russia and Iran will be signed at the pending fifth meeting of the Russian-U.S. Chernomyrdin-Gore commission in Moscow in late June, a high-ranking Russian diplomat told INTERFAX today.

He said that Moscow's position regarding nuclear energy remained unchanged: "Russia will cooperate with Iran for peaceful use of nuclear energy completely ruling out the military component."

The diplomat denied the statement of a high-ranking U.S. official alleging that the Chernomyrdin-Gore commission was going to reach some "confidential" agreement on the date for terminating military- technical cooperation between Russia and Iran.

"This term stems from the already concluded Russian-Iranian documents and can be clearly seen without the U.S.' participation," the diplomat said.

In the meanwhile, a high-ranking official of the Russian prime minister's apparatus charged with preparations for the coming meeting of the Chernomyrdin-Gore commission said that the reports on Russia and the U.S. possibly signing a "confidential" agreement on the "Iranian subject" were "absolute nonsense."

He said that every time the commission was to meet the media would launch a large quantity of "inventions."

The official said this once again showed the importance of the Chernomyrdin-Gore commission and its decisions.

Talks To Focus on Missile Technology

MK2706111095 Moscow SEGODNYA in Russian 27 Jun 95 p 2

[Report by Aleksandr Kudakayev under the "Missiles" rubric: The Gore—Chernomyrdin Commission Will Be Arguing Fruitfully. Russia Sees a 'Double Standard' in U.S. Actions With Respect to Missile Technologies"]

[FBIS Translated Text] On 29-30 June, the next meeting of the Russian-U.S. Commission on Economic and Technological Cooperation will be held in Moscow. Russian Federation Prime Minister Viktor Chernomyrdin and U.S. Vice President Albert Gore will take part in the meeting. Among other issues, the meeting will deal with the problems linked with the construction on Russian territory of repositories for weapons-grade plutonium-239, the prolongation of the bilateral Agreement on Cooperation in the Field of Peaceful Uses of Nuclear Energy, and the contract on selling Russian high- and low-concentrated uranium to the United States. The issues of Russian-Iranian cooperation in the field of nuclear energy and the contract on the delivery of Russian light water reactors to Iran for the nuclear power station in Bushehr, which is harshly opposed by the United States, will probably also be raised. In the U.S. Administration's opinion, this deal will significantly facilitate Iran's task of creating its own nuclear weapons.

Another complex issue to be discussed at the upcoming negotiations is Russia's joining the Treaty on Missile and Missile Technology Control Regime (MTCR). Russia is dissatisfied with the fact that — having been fully observing this regime — it has not been officially included in the MTCR and, in fact, has been barred from having any influence on decisions made by its participants. According to some Russian sources, Washington is pursuing a policy of unjustifiably delaying the process of Russia's joining the MTCR by focusing attention on its "concern" over the violation of MTCR principles by Russian arms exporters. Russia denies these violations.

In its turn, Russia claims that the United States is using "double standards" in fulfilling MTCR principles. For instance, in early 1994, Washington lifted its ban on exports from Israel to the United States of equipment and technologies used to launch commercial satellites by U.S. rocket carriers. In fact, the United States has invested a lot of money into the rocket program of the country, which can potentially become a re-exporter of ballistic missile systems. This causes discontent of the part of Russia, which thinks that paying for services of a country not participating in the MTCR violates the MTCR principles to a certain extent.

In February, the U.S. Administration gave the green light to the sale, again to Israel, of several supercomputers, including two powerful computers manufactured by Cray Research and IBM; this also caused concern in Russia, which believes that Israel is using this equipment to upgrade its nuclear and missile program.

Albert Gore will probably express his doubts as regards the Russian-Brazilian space program. This program is being implemented on the basis of a bilateral commercial contract, the details of which are not made public. Both countries — although not being official participants in the MTCR yet — have, however, taken the responsibility to act in conformity with its rules. After

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U.S. intelligence warned the U.S. Administration that the deal stipulates the transfer to Brazil of the technology for manufacturing strong and lightweight material — carbon fiber used in missile engine bodies — the threat emerged that economic sanctions could be used against Russia and Brazil in accordance with a 1990 U.S. law. President Clinton, however, decided against sanctions, fearing, according to some Russian sources, that they could also provoke questions regarding the activities of U.S. companies in Brazil.

Russia, however, believes that the U.S. claims are caused by the growing competition among missile technology manufacturers — U.S., French, Chinese, etc. — for this market. In early June, the Brazilians signed a "contract of the century" with some U.S. companies, amounting to $1.4 billion, for the construction of the "Sivam" satellite system for ecological monitoring of the environment in the Amazon basin. There have been a lot of scandals about this contract: There was talk of bribery, tax evasion, etc. According to Brazilian mass media, mutual accusations were due to the espionage games between the United States and France, which had competed for the right to participate in this project, together with other countries, including Russia. In this struggle, the U.S. Raytheon company has beaten France's Thomson.

Russia believes that the U.S. stance with respect to the Indian space program is underlain by similar reasons. This program is oriented primarily toward cooperation with West European countries and Russia. The Americans, using political pressure, have already managed to curtail the framework of this cooperation considerably — first of all, in the field of joint projects on cryogenic final stages of space-vehicle propulsion, used in rocket carriers to launch satellites into space. In the opinion of the Russian side, Defense Minister William Perry's visit to Delhi in January 1995 was meant to solve this issue — there, he offered services of U.S. companies working in the same area.

Moscow Sets Conditions for Joining Post-COCOM Organization

LD2606165995 Moscow INTERFAX in English 1516 GMT 26 Jun 95

[From the "Diplomatic Panorama" feature: by diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] MOSCOW, June 26 (INTERFAX) — Russia will join the organization which is to take the former COCOM's (Coordination Committee for Control Over Export) place only if it gets rights equal to those of other members. "This means that we will join the post-COCOM arms export control regime only if we take part in its creation," a high-ranking Foreign Ministry official said in an interview with INTERFAX Monday.

The diplomat said Washington would not succeed in trying to exert pressure on Moscow by conditioning Russia's joining the new regime on its breaking off contacts with Iran in the military sphere. "Russia will not succumb to such pressure in the sphere of military and technical cooperation with Iran. This is the case when the prestige of Russia as a state able to meet its commitments is at stake," he said.

Yeltsin, Chernomyrdin Receive PRC's Li Peng

Moscow Confirms 'One China' Policy

LD2606230195 Moscow ITAR-TASS World Service in Russian 1219 GMT 26 Jun 95

[By ITAR-TASS diplomatic correspondent Andrey Kirillov]

[FBIS Translated Excerpt] Moscow, 26 Jun — Taiwan, which is actively seeking to join the United Nations, will clearly be unable to count on Moscow's backing. Journalists here were told, at the end of the talks with Russian Prime Minister Viktor Chernomyrdin, by his Chinese counterpart, Li Peng, that the Russian Government had confirmed once again at the talks that "there is one China, and the government of the People's Republic of China is the only legitimate government of the whole of China." [passage omitted]

But ITAR-TASS was told by a senior official at the Russian Foreign Ministry that the Russian ministry takes a "very negative" view of the idea of Taiwan's joining the United Nations. "There are no changes in Russia's stance over Taiwan," he stressed. "It never even occurred to us to support any participation in the United Nations by Taiwan."

Yet this approach is not meant to imply that Russia has no intention of developing trade and economic cooperation with Taiwan. Last year, bilateral trade was in excess of $1.2 billion. In the near future, it is anticipated that an unofficial office of the Moscow-Taipei Coordinating Commission for Economic and Cultural Cooperation will open in Taipei. It will represent Russian citizens' business interests on the island.

Eight Accords Reached

LD2606151695 Moscow INTERFAX in English 1312 GMT 26 Jun 95

[FBIS Transcribed Text] MOSCOW, June 26 (INTERFAX) — Talks between Russia's Prime Minister Viktor

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Chernomyrdin and his Chinese counterpart Li Peng in Moscow Monday were crowned with eight agreements on economic cooperation and contacts between separate industries and law enforcement bodies.

Among the signed documents are accords on the joint protection of forests against fires, on the construction of a bridge across the Amur river near the city of Blagoveshchensk, on media cooperation, on the mutual recognition of college and university graduation diplomas, a convention on environmental protection, an agreement on cooperation between Russia's Committee for Machine-Building and China's Engineering Committee, and a treaty on the mutual extradition of criminals.

Talking to journalists after the signing ceremony, Chernomyrdin singled out the agreement on the joint construction of a bridge across Amur. This accord, according to the prime minister, will be conducive for closer ties between the two countries' border regions.

Among other important bilateral projects, Chernomyrdin referred to the construction of a major electric power station and of a nuclear power plant in China.

For his part, Li Peng reported that apart from bilateral cooperation issues, international problems were also addressed at the talks. "Russia and China are two great powers, which cannot allow anyone to teach themselves how they should live and work," Li Peng stressed, adding that Moscow assured Beijing of recognizing the government of the People's Republic of China as the sole legitimate representative of the whole of China. "Moscow does not intend to establish official ties with Taiwan," Li Peng declared.

As Chernomyrdin's spokesman Viktor Konnov who was present at the talks has told INTERFAX, military and technical cooperation between the two countries was also discussed.

Konnov expects the joint communique to be published after Li Peng's Tuesday meeting with the Russian president.

Chernomyrdin Urges Improved Ties

LD2606170195 Moscow ITAR-TASS in English 1655 GMT 26 Jun 95

[By Andrey Kirillov and Vladimir Solntsev]

[FBIS Transcribed Text] MOSCOW, June 26 (ITAR-TASS) — Russian-Chinese partnership "should stand on a strong foundation," Russian Prime Minister Viktor Chernomyrdin said at a reception given on Monday for Chinese Prime Minister Li Peng who is currently on a visit in Moscow.

"We believe that it should rest on deep and versatile economic ties, and mutual advantageous and dynamically developing cooperation," Chernomyrdin said.

The Russian premier pointed out that a decline in bilateral trade last year sent a signal that "extensive trade and economic cooperation has exhausted itself.... It is in our common interests to make a decisive turn towards new forms of business ties broadening the horizon of our relations."

Among the documents signed with Li Peng, Chernomyrdin noted an agreement to build a bridge across the river Amur near the cities Blagoveshchensk and Heihe which "symbolises a new level of trust and confidence in our relations." "We act on the assumption that this will be a bridge of friendship connecting our nations and peoples," he added.

"The scale and versatility of Russian-Chinese ties determine an enormous scope of work which has yet to be done. However, we are looking into the future of Russian-Chinese relations with confidence," Chernomyrdin said.

The premier confirmed Russia's intention to further Russian- Chinese cooperation in the international arena, adding that "constant respect for the interests of each other in the system of multilateral ties and regular consultations on fundamental issues become a good tradition."

Yeltsin, Li Peng Discuss Relations

LD2706080095 Moscow ITAR-TASS World Service in Russian 0745 GMT 27 Jun 95

[By ITAR-TASS correspondent Andrey Shtorkh]

[FBIS Translated Text] Moscow, 27 Jun (ITAR-TASS) — The meeting between Russian President Boris Yeltsin and PRC State Council Premier Li Peng began this morning with each saying "Hello" to the other in Russian. The head of the Russian state and the leader of the Chinese Government warmly recalled their previous meetings during the Chinese premier's visit to Moscow five years ago, during Boris Yeltsin's visit to the Chinese People's Republic in 1992 and during the UN General Assembly sessions in New York.

The meeting, which was held behind closed doors, focussed on bilateral relations and, in particular, their trade and economic aspect, the ITAR-TASS correspondent was told by informed sources in the Kremlin.

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Communique Issued

LD2706104395 Moscow ITAR-TASS World Service in Russian 0937 GMT 27 Jun 95

[By ITAR-TASS diplomatic correspondents Andrey Kirillov and Vladimir Solntsev]

[FBIS Translated Text] Moscow, 27 Jun — The Chinese leadership has understanding for the situation in Russia, including Moscow's policy on the Chechen issue. This conclusion can be drawn from the text of the joint communique signed on Monday by Viktor Chernomyrdin, head of the Russian Federation government, and PRC Premier Li Peng, which was received by ITAR-TASS today. "The Chinese side expressed full understanding for the Russian side's actions in preserving the country's unity and maintaining social and political stability," the document says.

The communique touches on a sensitive subject in bilateral relations - the border issue. The sides "affirmed their joint adherence to the letter and spirit" of the 1991 agreement on the eastern section of the Russian-Chinese border. They stressed their intention to complete demarcation work within the specified timescale and to proceed very soon to talks about an outline agreement on joint economic use of the sections of Russian and Chinese territory which the demarcation process allocates to the other side.

The sides will seek further progress in talks on mutual reductions of armed forces and on military confidence-building in the border area, the communique says. It was deemed expedient to draw up an agreement on military confidence-building measures in the border area while the talks continue.

According to the communique, the main topic of the talks was the development of the Russian-Chinese cooperation in the trade and economic sectors and the scientific and technical sectors. It was acknowledged that there was a need for a more active implementation of modern forms of cooperation, improved financial relations, and upgraded infrastructure that would facilitate business cooperation. The sides intend to stimulate cooperation in investment as well.

Russia and China decided to continue negotiations and cooperation on matters related to the building of nuclear power stations. However, the communique does not specify whether the possibility of building other nuclear power stations with Russia's participation, apart from the already agreed project in the province of Liaoning, was discussed.

The communique states that during the talks the sides "discussed matters of military and technical cooperation and determined the main areas of its further mutually beneficial development". ITAR- TASS learned that no specific details of the cooperation were discussed at the talks.

The Chinese side agreed to Russia's request to postpone the payment of state trade loans that had been given by China to the former USSR in 1990 and 1991.

The sides agreed to take steps for further enlargement of the network of consular institutions in both countries.

The exchange of points of view on international problems brought to light "the convergence or similarity of the positions taken by the two countries on the main points in the world situation".

With regard to the situation in the Asia-Pacific region, the two sides reaffirmed their readiness to render mutual assistance in multilateral economic cooperation. The Chinese side expressed its support for Russia's application to join the Asia-Pacific Economic Cooperation organization (APEC).

"The people of every country have the right to choose their own social order, as well as ways and model of development, on the basis of its own specific condition and without interference from other states," the document says. Answering questions from journalists the day before, the two premiers expressed the view that the two great powers, China and Russia, do not need to be preached at and would themselves work out how they should live.

The two sides believe that "the visit was crowned with complete success" and have reaffirmed their readiness to continue vigorous constructive dialogue both at high and the highest levels on a regular basis. In this connection they noted the special significance of the Russian Federation president's forthcoming visit to China.

PRC State Council Premier Li Peng invited Russian Federation Government Chairman Viktor Chernomyrdin to make an official visit to China. The invitation was accepted with gratitude. The dates for the visit are to be agreed through diplomatic channels.

Press Service Views Talks

LD2706110095 Moscow ITAR-TASS in English 0950 GMT 27 Jun 95

[FBIS Transcribed Text] MOSCOW, June 27 (ITAR-TASS) - A meeting between President Boris Yeltsin and Li Peng, Premier of China's Council of State, who has stayed here on an official visit, took place in the Kremlin on Tuesday, the Presidential Press Service announced.

The two sides discussed the development of Sino-Russian relations in various fields as well as Asian-

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Pacific security and other international issues, the announcement said.

The Russian President expressed satisfaction with the Sino- Russian agreements signed, pointing out that many other matters are yet to be decided upon, specifically during his forthcoming visit to China.

An intention to move on in economic relations from barter trade to settlements in hard currency was confirmed during the conversation, the Presidential Press Service said.

The two sides stated a dynamic development of the constructive dialogue between Moscow and Beijing and emphasised that there are no political difficulties between China and Russia and that the two sides mutually seek to take each other's interests into consideration when addressing bilateral matters.

The President of Russia and the Chinese Premier declared in favour of further developing Sino-Russian cooperation, in which personal contacts play a special role.

Li confirmed the invitation extended to the President of Russia to visit China in autumn this year. A date for the visit is to be agreed upon through diplomatic channels. A number of bilateral documents is planned to be signed during the Russian President's state visit to China.

Li Peng News Conference Cancelled

LD2706112995 Moscow INTERFAX in English 1108 GMT 27 Jun 95

[FBIS Transcribed Text] Moscow, June 27 (INTERFAX) - A news conference where the Chinese State Council's Chairman Li Peng was scheduled to report on his visit to Russia (tentatively at 16:00 on Tuesday) has been cancelled. That has been told to INTERFAX by a source in the Russian Foreign Ministry's Information Department.

The source gave no reason for the cancellation of the news-conference.

Accord Signed on Amur River Bridge

MK2706080095 Moscow SEGODNYA in Russian 27 Jun 95 p 2

[Report by Oleg Kryuchek under the "Border" rubric: "Russia-China Bridge Will Cost Each Country $50 Million"]

[FBIS Translated Text] The signing in Moscow of an intergovernmental agreement on the construction of a bridge across the Amur River between PRC State Council Premier Li Peng and Prime Minister Viktor Chernomyrdin finally winds up a dragged-out dialogue between the region's leadership and the neighboring Chinese province. The project was repeatedly put on hold either at the initiative of the local leaders of the "Most" financial and construction company, in charge of the project in Blagoveshchensk, or by the Chinese partners' showing indecision and doubting the solvency of the Russians and asking for weighty guarantees. The signing of the intergovernmental agreement in fact today gives guarantees to potential investors.

It has been determined that the bridge between the states will be constructed in two stages. It has been already calculated that the construction of the bridge will cost the Russian and Chinese sides $50 million each. The "Most" financial and construction company is hoping to attract primarily major Russian investors to the project. Your SEGODNYA correspondent has come to learn that this is hard going so far, whereas Chinese construction firms are now ready to help Russia with funds. The share of Russian state property in the project is 25 percent and, as regional governor Vladimir Dyachenko states, the leadership is counting on seriously adding to the local budget from running the bridge.

Russia, PRC Criticize Plan To Disrupt Korean Armistice

LD2606133595 Moscow ITAR-TASS in English 1114 GMT 26 Jun 95

[By Andrey Kirillov and Vladimir Solntsev]

[FBIS Transcribed Text] MOSCOW, June 26 (ITAR-TASS) — The Russian Foreign Ministry believes it is inexpedient to destroy the old mechanism of armistice in the Korean peninsula until a new mechanism is created. Russian Deputy Foreign Minister Aleksandr Panov said this to ITAR-TASS on Monday.

Panov commented on reports that North Korea is allegedly going to disrupt the agreement on truce between North and South Korea that was signed upon the conclusion of the 1950-1953 Korean war. Remarking that the Russian Foreign Ministry does not yet have full information on the matter, Panov noted that Moscow's principled approach to the ensurance of peace in the Korean peninsula remains unchanged. Panov participates in the talks of the heads of government of Russia and the People's Republic of China that began in Moscow on Monday. He noted that China holds a similar stand with Russia on the matter.

There are reports that on June 25 [date as received], the 45th anniversary of the beginning of the Korean war, Pyongyang is going to disrupt the armistice agreement. These reports appeared last Saturday with a reference to the United Nations Command in South Korea which,

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in turn, made a reference to the military representative of North Korea. These reports have not been confirmed, although the newspaper NODON SHINMUN, the organ of the Central Committee of Korean Workers Party, wrote in the leading article on Sunday that "the system of armistice proved paralysed because of the United States one-sided actions". The newspaper writes that present-day reality requires the establishment of a new system of ensuring peace to prevent arms build-up and outbreak of war in the Korean peninsula.

Sources in the Russian Foreign Ministry told ITAR-TASS that North Korea which regards the system of armistice dated has long been striving to dismantle it. Noting that the system is really outdated, the sources pointed to Russia's readiness to participate in the quest for a new mechanism by joint efforts of states concerned.

Diplomat: Churkin To Try To Get Bosnian Parties To Talk

LD2606171995 Moscow INTERFAX in English 1312 GMT 26 Jun 95

[FBIS Transcribed Text] MOSCOW, June 26 (INTERFAX) — Russia will make efforts to seat the conflicting Bosnian parties at the negotiating table. "This is the top-priority present-day task," a high-ranking Russian diplomat told INTERFAX Monday.

He said this was the goal of Russian Ambassador to Belgium Vitaliy Churkin's trip to Belgrade and Pale, and his talks with the leaders of Serbia and of the self-proclaimed Bosnian Serb Republic (the predominantly Serb part of Bosnia and Herzegovina — INTERFAX).

The source said that as Churkin had been the Russian president's special envoy in charge of settling the conflict in the former Yugoslavia, his mission was welcomed by Russia's partners in the Contact Group. Besides Russia, the Contact Group includes the United States, Britain, France and Germany.

He said that before going back to Brussels, Churkin had visited Moscow where he presented a report to Foreign Minister Andrey Kozyrev and met with the ambassadors of the Contact Group's member- states last Thursday. "In relation to Bosnia, Russia acts on its own, but within the framework of the Contact Group's decisions," said the source.

He found it premature to disclose the essence of the initiatives which Churkin had discussed in the Balkans. "Their general content is known to our Contact Group partners. As to the particulars, they are likely to be announced by Kozyrev shortly," said the diplomat.

Duma's Lukin Criticizes Bonn Decision To Join Bosnia Force

LD2606210795 Moscow ITAR-TASS World Service in Russian 1107 GMT 26 Jun 95

[By ITAR-TASS correspondent Gennadiy Kulbitskiy]

[FBIS Translated Text] Bonn, 26 Jun — Today's decision by the cabinet in Bonn on Germany's participation in the international rapid reaction force has been sharply criticized by Vladimir Lukin, the chairman of the Russian Federal Assembly's State Duma Committee for International Affairs: "I think that for countries like Germany or Turkey, which are burdened with the legacy of history, to be drawn into events in the Balkans is something negative," V. Lukin said here in an ITAR-TASS interview. "In my opinion, the role of these states should be restricted exclusively to providing humanitarian aid." The chairman of the State Duma committee went on to say: "Apart from the fact that Germany has the sad experience of World War II behind it, it made a serious mistake in hastily recognizing Croatia, as well as Bosnia-Herzegovina. This means that Germany's role is now seen as being that of a partner to one of the sides in the conflict. Furthermore, a side that has its own special history. So I am very doubtful about today's decision by the Bonn cabinet," the Russian politician said.

Commenting on reports that appeared in the German press on Sunday that retired U.S. generals are helping Croatian and Bosnian Muslim troops in their struggle against the Serbs, Lukin said: "It will be very sad if the efforts of various 'unofficial officials mean that the war in Yugoslavia turns into something like the Spanish civil war that raged just before World War II. We have all sorts of former servicemen — Cossacks and so on — who are also straining at the leash to fight in former Yugoslavia. But we would not wish to turn this war into a war fought 'using middle-men'. That certainly is not the best way of working for peace in this region."

Grachev: Russia To Abide by Moldova Troop Withdrawal Accord

LD2606152895 Moscow INTERFAX in English 1312 GMT 26 Jun 95

[FBIS Transcribed Text] CHISINAU, June 26 (INTERFAX) — Russian Defense Minister Pavel Grachev spoke of having outlined "our views on cooperation with the Moldovan defense ministry" at the end of talks with Moldovan President Mircea Snegur in Chisinau Monday.

In an interview with INTERFAX, he said Snegur had backed Russian proposals including the need for faster military cooperation between the two countries

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and training of Moldovan officers at Russian military schools.

On the future of Russia's 14th Army, Grachev said Moscow would abide by last year's bilateral agreement on the withdrawal of Russian troops from Moldova in three stages. He said the first two stages provided for the pullout of weapons and military hardware, with troops to be withdrawn in the final stage. "The agreement will come into force after ratification by the Russian parliament," the minister said.

He said there would be no troop cuts apart from the reduction of the former commander's department and subsidiary units which would not affect either the contingent's combat readiness or the safety of weapons and hardware.

Grachev has now gone to Tiraspol to meet officers of the former 14th Army.

For his part, Snegur described as both constructive and positive his meeting with Grachev.

Our correspondent quotes Snegur as saying the future of Russian troops deployed in the Transdniester Region would feature centrally on the agenda of his meeting with Russian President Boris Yeltsin in Moscow Wednesday. Snegur said the phased withdrawal of Russian troops should start with the pullout of weapons and hardware or their destruction in the region.

On cooperation between the two countries' defense departments, Snegur said the question of training Moldovan officers in Russia could be discussed as a longer-range prospect.

Grachev Visit Seen Aiding Summit

LD2706122995 Moscow ITAR-TASS in English 1111 GMT 27 Jun 95

[By Valeriy Demidetskiy and Anatoliy Yurkin]

[FBIS Transcribed Text] CHISINAU, June 27 (ITAR-TASS) — Russian Defence Minister Pavel Grachev who wound-up his visit to Moldova today succeeded in bringing closer to the final solution the problem of the status of Russian troops in Moldova's Dniester region. This will help Russia and Moldova to specify their political posture on the problem during the Yeltsin-Snegur summit in Moscow on June 28.

Grachev's conversations with Moldovan President Mircea Snegur, Defence Minister Pavel Creanga and the leadership of the Dniester region revealed that they viewed positively the latest reform of the Russian 14th Army and the replacement of the army commander, General Aleksandr Lebed, who personified the level of relations between the two countries not only in the military-political field.

During the Russian defence minister's visit to Moldova, special attention was given to a solution in practical terms of the problem of the excessive stockpiles of weaponry accumulated in the region. Officials in Chisinau and in Tiraspol openly spoke about the need for Russian-Moldovan cooperation in the utilisation of the ammunition whose warranty periods are nearing their ends.

According to the officials, the two countries need a special purpose programme of joint actions providing not only financial and military measures but also taking into account the environmental aspect. The issue will probably be one of the key points for discussion at the Russian-Moldovan summit in Moscow.

Military-technical questions discussed in the course of Pavel Grachev's visit were secondary to the predominant subject of the time-table and status of the presence of Russian troops on Moldovan territory. According to the Russian minister, the withdrawal of troops will begin only after the ratification of the agreement signed by the two countries. He said that "during the first two years only armaments and ammunition will be withdrawn as envisioned by the agreement. The personnel will be withdrawn only during the third year."

Pavel Grachev did not rule out the possibility of creating a Russian military base on the territory of the republic "if the leadership of Moldova so wishes."

The agreed time-table and a legal status of the Russian troops suggest a surmise that neither Russia nor Moldova really need a hasty withdrawal of the troops from the banks of the Dniester eastward. This reluctance is due not only to economic considerations. The changing geopolitical situation in Europe makes Moscow and Chisinau scrutinise the future. NATO expansion eastward poses new national security questions both for Russian and Moldova.

According to military analysts, the potential danger of NATO predominance in Europe makes Russian presence in the region desirable for Chisinau. The Moldovan leaders think that this situation allows them to manoeuvre, not without benefit to themselves, on the verge of the interests of bigger countries.

The stationing of the Russian troops in the Dniester region does not only stabilise the situation in the republic at present but is also a guarantor of stability in the next century, members of the Russian military delegation said.

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The small Moldova which finds it difficult to integrate in the Western economic structures has to lean on a more powerful Eastern ally, they said.

It is with this in mind, that the two Presidents will meet for talks in Moscow on June 28. The talks will not be easy because the internal political situation is very complicated in Moldova, just as in some other former Soviet republics.

In addition, both Russia and Moldova are heading for elections, and the politicians who want to be seen by their voters as staunch protectors of the national interests, are very cautious in their actions.

For this reason, Pavel Grachev's visit to Chisinau will help the Presidents of Russia and Moldova to define not only clear-cut but also historically feasible and tested postures for their summit in Moscow.

Trade Missions To Be Exchanged With Turkmenistan

MM2706084395 Moscow ROSSIYSKAYA GAZETA First Edition in Russian 23 Jun 95 p 7

[Russian Federation Government Decree No. 493 "On the Conclusion of an Agreement Between the Russian Federation Government and the Government of Turkmenistan on Mutual Institution of Trade Missions," signed by V. Chernomyrdin, chairman of the Russian Federation Government, and dated Moscow, 17 May 1995]

[FBIS Translated Text] The Russian Federation Government decrees that:

The draft Agreement Between the Russian Federation Government and the Government of Turkmenistan on the Mutual Institution of Trade Missions (appended) (Footnote) (The Agreement is published in today's ROSSIYSKAYA GAZETA "Departmental Supplement" section) submitted by the Russian Federation Ministry of Foreign Economic Relations, coordinated with interested ministries and departments, and studied in advance with the Turkmenistan Side, is hereby ratified.

The Russian Federation Ministry of Foreign Economic Relations is instructed to conduct talks with the Turkmenistan Side and, once accord has been reached, sign the aforesaid Agreement on behalf of the Russian Federation Government and is authorized to make minor changes and addenda to the appended draft.

[Signed] V. Chernomyrdin, chairman of the Russian Federation Government

[Dated] Moscow, 17 May 1995

Industrial Property Deal With Kyrgyzstan Agreed

MM2706083695 Moscow ROSSIYSKAYA GAZETA First Edition in Russian 23 Jun 95 p 7

[Russian Federation Government Decree No. 388 "On the Conclusion of an Agreement Between the Russian Federation Government and the Kyrgyz Republic Government on Cooperation in Protecting Industrial Property," signed by V. Chernomyrdin, chairman of the Russian Federation Government, and dated Moscow, 20 April 1995]

[FBIS Translated Text] The Russian Federation Government decrees that:

The draft Agreement Between the Russian Federation Government and the Kyrgyz Republic Government on Cooperation in Protecting Industrial Property (appended) (Footnote) (The agreements are published today in the ROSSIYSKAYA GAZETA "Departmental Supplement"), submitted by the Russian Federation Committee for Patents and Trademarks, coordinated with the Russian Federation Foreign Ministry, and studied in advanced with the Kyrgyz Side, is hereby ratified.

The Russian Federation Committee for Patents and Trademarks shall make minor changes and addenda where necessary during talks with the Kyrgyz Side.

It is deemed advisable that the heads of government of the Russian Federation and the Kyrgyz Republic sign the agreement for which the present decree makes provision.

[Signed] V. Chernomyrdin, chairman of the Russian Federation Government

[Dated] 20 April 1995

Foreign Ministry Condemns Attack on Egypt's Mubarak

LD2706053895 Moscow ITAR-TASS World Service in Russian 1704 GMT 26 Jun 95

[By ITAR-TASS diplomatic representative]

[FBIS Translated Text] Moscow, 26 Jun — The news of an attempt on the life of Egyptian President Husni Mubarak, who was attacked today by a group of terrorists during his visit to Addis Ababa, was received in Russian political circles with indignation. Russia's reaction to this terrorist act is particularly acute because of the recent incident in Budennovsk. It should also be remembered that President Mubarak is one of the key figures in the Middle East peace process.

"We resolutely condemn terrorist actions against ordinary people as well as against politicians," Grigoriy

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Karasin, director of the Russian Foreign Ministry Press and Information Department, told ITAR-TASS. "In this case, we are talking about an attempt on the life of the leader of Egypt, with which we maintain friendly relations. This action cannot but make us feel angry," he said.

Report of Alleged Russian Spy in Pakistan 'Misinformation'

LD2706115595 Moscow ITAR-TASS in English 1052 GMT 27 Jun 95

[By Viktor Solntsev]

[FBIS Transcribed Text] MOSCOW, June 27 (ITAR-TASS) — Assertions regarding the alleged "redhanded arrest of a Russian spy" in Pakistan, which appeared in the Pakistani newspaper "JANG" and later, quoting it, in certain news agency reports, turned out to be a piece of a total misinformation, ITAR-TASS learned today from sources in several interested in it Russian departments.

The Russian Consulate-General in Karachi sent a note to the local representation of the Pakistani Foreign Ministry, demanding a thorough investigation of circumstances of this incident and prevent their repetition in the future. Officials of the Russian Consulate- General are doing their needful [as received] to find out the motives of the Pakistani secret services behind this act.

According to the paper's version, Pakistani secret service agents arrested a Russian citizen "I. Viktor" by name, suspected for spying, at the Karachi airport last Friday, from whom certain documents, photographs and a video tape had been confiscated as "evidences".

Meanwhile, the informed sources said, the mysterious "I. Viktor" in reality turned out to be Viktor Ivanovich (his surname is known to ITAR-TASS, but is not being revealed due to obvious reasons), who was in Pakistan as a member of a tourist group from Novosibirsk. Last Thursday at 05:00 hours local counter-intelligence department officials refused to return him his passport before his departure home from Karachi without giving any reasons for their actions. The tourist group got in touch with the Consulate-General, whose officials immediately arrived at the airport. The Pakistani special service officials then disappeared, and representatives of the immigration service, who were holding the passport, said that they had no complaints against its bearer.

The Pakistani counter-intelligence agents, according to provisional reports received by ITAR-TASS, turned over, in the process confiscating or exposing video tapes and photo films, baggage of all Russian tourists. As a result of this the plane was detained for 12 hours, after which the tourist group in its full strength, including Viktor Ivanovich, was allowed to fly back to Novosibirsk.

'Real Potential' Seen for Oil Sector Cooperation With Cuba

MM2706085095 Moscow RABOCHAYA TRIBUNA in Russian 23 Jun 95 p 3

[Report by ITAR-TASS correspondent Igor Ivantsov under the "Joint Projects" rubric: "An Old Friend Is Better Than Two New Ones" — from the "Industrial Gazette" section]

[FBIS Translated Text] Russia and Cuba have real potential to restore mutually advantageous cooperation, especially in the oil and energy sectors, Petr Nidzelskiy, Russian Federation deputy fuel and energy minister, believes. The results of a Fuel and Energy Ministry visit to Cuba allowed him to draw this conclusion.

In Nidzelskiy's opinion, Russian specialists' resumption of prospecting work at oil deposits on the Cuban shelf could be an important aspect which should help to step up cooperation between Russia and Cuba in the fuel and energy sector. An agreement in principle was reached on this question during talks between a Russian delegation and representatives of the Cuban Ministry of Basic Industry. According to specialist estimates, it will cost $150-180 million to study the available sectors of the shelf. At present the Russian "Rosneft" and "Zarubezhneftegazstroy" organizations are studying materials provided by the Cuban side on the results of a preliminary survey of these oil-bearing areas.

During the talks an agreement was reached on the delivery by Russian organizations of power engineering and industrial equipment worth $3 billion to Cuba this July. In 1996 it is planned to complete, with the help of Russian specialists, the construction of an oil pipeline linking a tanker fleet base with an oil-refinery in Cienfuegos.

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Political Issues

Yeltsin Promises 'Stormy' Meeting With Power Ministers

LD2606141195 Moscow ITAR-TASS in English 1405 GMT 26 Jun 95

[By Andrey Shtorkh]

[FBIS Transcribed Text] MOSCOW, June 26 (ITAR-TASS) — Russian President Boris Yeltsin is likely to meet his so-called "power ministers" before the sitting of the Security Council, scheduled for June 29, an informed source in the Kremlin told ITAR-TASS on Monday.

The Security Council is to listen to a report of its secretary Oleg Lobov who headed the on-spot investigation into the recent attack staged by Chechen terrorists in the Russian southern town of Budennovsk.

According to the source, Yeltsin will meet Defence and Interior Ministers as well as the head of the Federal Security Service, in order to "clarify the situation" on the eve of the Security Council's meeting. The meeting promises to be "very stormy indeed," according to the Russian president himself.

Says Duma Demands Ministers' Removal

LD2706114995 Moscow ITAR-TASS in English 1144 GMT 27 Jun 95

[By Andrey Shtorkh]

[FBIS Transcribed Text] MOSCOW, June 27 (ITAR-TASS) — Russian President Boris Yeltsin said that agreement was reached at a meeting with leaders of factions in the State Duma. "They promised to vote for confidence in the government, on July 1, but asked a dear price for this — removal of power ministers." Yeltsin said this inaugurating a meeting with leaders of subjects of the Russian Federation on Tuesday. Russian Prime Minister Viktor Chernomyrdin and Deputy Premier Nikolay Yegorov also participated in the meeting.

Yeltsin Receives First Results of Budennovsk Investigation

LD2606185695 Moscow INTERFAX in English 1522 GMT 26 Jun 95

[FBIS Transcribed Text] MOSCOW, June 26 (INTERFAX) — Russian President Boris Yeltsin met with Russian Security Council Chairman Oleg Lobov in the Kremlin today.

The Russian president's press service said Lobov had informed Yeltsin on the preliminary results of the investigation of the Budennovsk events carried out by a special commission, which Lobov heads, and on his meetings with the heads of law enforcement departments.

Lobov told Yeltsin about the preparations for another meeting of the Security Council planned for June 29 at 11:00. The Security Council will at its next meeting discuss the raid in Budennovsk, the Stavropol Region, and measures for fighting terrorism. Head of the Stavropol Region's administration Yevgeniy Kuznetsov was invited to take part in the Security Council's meeting.

According to the same source, Yeltsin concentrated on raising the efficiency of the fight against terrorism at his meeting with Lobov. Yeltsin said efforts regarding the fight against terrorism must be coordinated not only within Russia but also internationally.

Text of Yeltsin Message on 1996 Budget

MM2706104895 Moscow ROSSIYSKAYA GAZETA First Edition in Russian 27 Jun 95 p 3

["Russian Federation President's Message to Russian Federation Government: 'On Budgetary Policy in 1996'" — ROSSIYSKAYA GAZETA headline]

[FBIS Translated Text] The strategic goals of economic development were laid down by the president's message to the Federal Assembly for 1995 and by the government program. They set the tone for economic policy and the budget in 1996. The natural basis for next year's budget is the budgetary process in 1995.

There have been some definite positive results in this sphere. The government has firmly set off down the road of the noninflationary funding of the federal budget from borrowings on the domestic and foreign financial markets. Normative guidelines for budget federalism have been laid down. A number of nonbudgetary funds have been consolidated in the federal budget. A transition is under way to the treasury system of budget execution. The budget has been drawn up under the new budget classification.

As of 1995 the budget deficit has ceased to be a source of inflation in the Russian economy.

Some unresolved problems have also been discovered — and some of them have already become chronic. The tax oppression of a number of production sectors is continuing. Tax evasion has become typical economic behavior for many enterprises. Tax collection remains unsatisfactory.

Potential nontax sources for increasing budget revenue have by no means been fully utilized. In particular, it is a question of revenue from nontrade operations

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in the sphere of foreign economic activity. The share of resource payments in budget revenue is low. State revenue from the utilization of property and the sale of state property is unjustifiably low. As a result, the budget process' dependence on a situation where it is bound to the receipt of certain taxes is too great.

As before, budget execution is unsatisfactory, budget debts to enterprises, regions, and citizens are too high. The level of budgetary disciplinary is low, and the bad practice of nontargeted utilization of budget funds is widespread. There are continuing attempts by certain regions to establish for themselves individual normatives for their relations with the federal budget.

The strengthening of positive trends and the eradication of well-known shortcomings constitute continuity in budgetary policy.

When drawing up the 1996 budget, we need to take account of three most important facts. The first is the situation that could arise in the country's economy next year. The second is budget restrictions proper, which determine the room for maneuver in the spheres of taxation, expenditure, and deficit funding. The third is the 1995 budget's influence on economic development in 1997, and the need for phased reform of the budgetary system.

I.

In 1995 the rate of the production slump slowed substantially. Basically, financial stabilization will be completed and the first prerequisites for an investment revival and a coming economic upturn will appear.

In 1996 these positive trends should be reinforced. The economy's transition to stable growth should begin, overcoming profound structural deformations. The production slump will be halted.

We can expect that **inflation will be defeated in 1996** and that its level will be no more than 2 percent a month on average. Actual interest rates will become positive. An opportunity will emerge for reducing nominal interest rates to 30-40 percent per annum, which will make it possible in principle to solve circulating capital and, in part, investment lending problems. Bank resources will be available to most solvent enterprises. The Bank of Russia will expand its operations with state securities on the open market.

At the same time, Russia will go into 1996 with a burden of complex social problems (unemployment, poverty, an unsatisfactory environmental situation, and so forth) which will have to be solved using budget funds. State support for education, health care, culture, and science will have to be considerably beefed up. There will also need to be additional expenditure to stimulate positive structural change in favor of science-intensive and high-tech production.

II.

These and other problems will have to be solved within the framework of budget restrictions on both revenue and expenditure. The 1996 federal budget's share of the GDP should not exceed 4 percent.

Price dynamics will become stabilized at a low level, which will rule out an "inflation tax." Borrowings from international financial organizations will be far lower than in 1995. In 1996 it will be necessary to really lower the tax burden — primarily for producers and investors — and this will require that the temporary loss of revenue is made up. A real reduction in the revenue side of the budget compared with this year cannot be permitted. On the expenditure side there will be a substantial increase in domestic and foreign state debt payments.

Not a single 1996 problem that can be resolved with the help of budget appropriations should be postponed. Not a single budget restriction should be abolished. **The government's main task is to elaborate the ideal budget, which will allow us to hit our targets without exceeding the tough restrictions laid down for 1996.**

The search for reserves is now to the fore — on both the revenue and expenditure sides of the 1996 budget.

Special measures are needed to substantially increase proceeds from the privatization, mortgaging, and transfer to trust control of federally owned blocks of shares.

The government and the Federal Assembly should radically reduce the number of tax and other concessions on payments to the budget. In particular, the illegal concessions on customs duties — which do considerable damage to the interests of national production — should be wholly and finally abolished. The income-tax concessions which allow highly paid citizens to effectively take a sizable chunk of their income out of tax are another example.

Sensible limits for cash in circulation should also be introduced.

We need to be very cautious in resolving the question of the abolition of export duties.

An important reserve is to increase tax yields. The government must develop and implement a range of measures to allow it to do so. A great deal will depend on the Central Bank, which should ensure the timely transfer of payments to the budget by the commercial banks.

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In 1996 the Federal Treasury and the Comptroller's Office, which are designed to jointly ensure strict control over the targeted and effective utilization of budgetary resources, should start fully working in 1996.

A painstaking analysis of government spending will have to be done with a view to making sensible cuts. It is necessary to do the following:

—tighten up the procedure for allocating budget loans, rejecting those which destabilize budget execution;

—substantially cut the list of federal targeted programs, with a view to concentrating budget funds on the most effective and socially important projects;

—continue the decentralization of the investment process, expanding the practice of state-commercial funding for projects;

—take measures to turn depreciation payments into investment resources for enterprises, thereby easing the pressure on the expenditure side of the budget;

—review the procedure for funding certain federal organs which shape social development funds;

—enhance the effectiveness of the utilization of appropriations for national defense and the defense complex, focusing them on the resolution of social problems, conversion, and promising research work;

—cut subsidies to certain sectors; and

—radically step up control over the utilization of budgetary resources.

Spending cuts will not be a one-time measure. This fundamental strategic line will be continued. There is no other way to consistently cut the tax burden and normalize state finances.

III.

The 1996 budget should have a positive impact on the economy in 1997 and become a component of the state's long-term budget strategy. In particular, the need to cut the budget deficit's share of GDP is explained not only by the completion of financial stabilization. It is also necessary in order to release financial resources — which will be acutely needed in 1997, when there will be considerable growth in investment activity. The same can be said of the measures aimed at easing the tax burden. While causing strains on the budget in 1996, these measures will have a positive impact on the economy and the budget in 1997.

The active reform of the entire budgetary system should continue in 1995.

The mechanism for demarcating revenue by expanding the list of taxes controlled by Russian Federation components, abandoning the centralization at federal level of the bulk of the land tax, and laying down in law stable long-term normatives for deductions to regional budgets from federal taxes should be improved.

The regions should be entitled to introduce their own taxes and imposts, provided that the federal authorities reserve the right to legislatively limit the upper level of taxation. It would be expedient to channel a certain proportion of customs duties to Russian Federation components. All this will make it possible to complete the transfer to funding expenditure serving narrow territorial needs out of regional budgets.

It has long been time to set up a normative base to regulate the issue of regional and municipal loans, as well as other local-authority securities.

At the same time, financial support to certain territories from the centralized budget fund should be limited to the framework of the current minimal expenditure required to maintain the population's living standards. The problems of investment activity and other capital expenditure can be resolved at federal level only in the event of their significance going beyond the bounds of regional interests. Particular attention should be paid to depressed regions.

In 1996 the conditions will have to be created for regulating budget relations at the "Russian Federation component budget-local budget" level. Otherwise, it will be impossible to create a unified system for equating territories based on the objective principles of interbudget relations.

In 1996 it will be necessary to substantially reduce the budget's debts to enterprises and their workers. The remaining amounts should be turned into state debt instruments, and their redemption regulated by law.

The process of consolidating nonbudgetary funds in the federal budget should be continued.

IV.

The interests of the economy require the **effective lowering of the tax burden** while maintaining stable foundations for the existing tax system. This will create additional incentives for investment in priority avenues of economic restructuring for all categories of investors. An opportunity will emerge to boost production and the sale of output and, ultimately, to expand the tax base and increase tax payments to the budget on this footing.

Decisions have already been made to abolish the excess-remuneration tax and the special tax. Moreover, it is necessary to

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—improve the mechanism for investment tax credits;

—substantially simplify tax procedures, particularly for small enterprises; and

—expand taxpayers' rights.

In 1996 a fundamentally new scale for individual income tax should be introduced. It will be necessary to increase the proportion of taxes levied on well-off citizens and to ease the tax burden for low-income individuals. At the same time, it will be necessary to cut the proportion of tax paid by enterprises and organizations. It will be necessary to enhance the role of property and land taxation as a revenue source for regional and local budgets, and to step up the role of resource payments. Revenue from import operations and the centralized export of weapons and military hardware will continue to be the main sources of revenue for foreign economic activity in 1996.

The complete regulation of relations between the state and taxpayers will be ensured by the Tax Code. The government should send it to the Federal Assembly in 1995. The Tax Code will become law in 1996, determining the features of the 1997 budget.

V.

The social component should dominate the expenditure side of the budget. The mechanism for the budget funding of social expenditure needs to be developed in such a way as to ensure the maintenance of state social guarantees, the implementation of measures to prevent unemployment growth, the regulation of migration processes, the safeguarding of environmental safety, the initiation of a program to restore and protect citizens' savings, and the targeted nature of social support. The government should define threshold values for the basic social indicators relating to health care, education, science, and culture, and establish funding volumes on that basis. Minimum wage and pension dynamics should not lag behind the inflation rate.

The proportion of leading social items in total expenditure should be higher than it was in 1995. Expenditure on them cannot be diverted for other uses or withheld.

Financial support for positive changes in production should be focused on priority avenues of restructuring. In accordance with the president's message to the Federal Assembly for 1995 these avenues include the following:

—the modernization of the economy on the basis of advanced technology;

—industrial exports;

—science-intensive and high-tech production, and the maintenance and development of our scientific potential;

—the strengthening of our national industrial infrastructure; and

—basic systems for safeguarding living standards and security.

The budget funds used for investment in the social sphere will be allocated solely within the framework of federal programs. Joint state and private funding for viable projects should be implemented exclusively on a competitive basis. As for state guarantees for raising private credit resources, these should be determined by existing budget opportunities.

The social sphere and support for investment are the key priorities for budgetary policy in 1996. The principle of reasonable sufficiency should be the dominant factor in other areas of expenditure.

The proportion of expenditure on national defense should be maintained at the 1995 level. This will make it possible to keep the Army's material and technical provision at an acceptable level, to maintain its combat readiness, and to continue the elaboration of state-of-the-art armaments. We also need to take the same approach to expenditure on law-enforcement, primarily on security and crime-fighting organs.

Support for the agro-industrial complex from federal budget funds should be focused on developing the countryside's production and social infrastructure, on improving soil fertility, and on upgrading breeding work and elite seed cultivation. It is necessary to develop modern ways and means of providing loans for seasonal and procurement work. Commodity loans and leasing will be further developed as ways of acquiring equipment.

A considerable proportion of our foreign debt will be redeemed in 1996. Since it will be impossible to meet all the payments falling due in that year, it will be necessary to continue work on the overall restructuring of our debt. Given the growth in payments on that part of the Russian debt which cannot be deferred, foreign borrowings will be limited in 1996 in both scale and structure.

Next year it will be expedient to raise a number of loans from international financial organizations in the shape of financial and investment credits — to support industrial sectors, including oil extraction and agriculture, and to develop financial institutions.

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VI.

Revenue from the placement of state securities both domestically and internationally will be the main way of covering the federal budget deficit in 1996. In 1996 there will be a gradual transition from the issue of short-dated state securities to the issue of medium-dated and long-dated securities. In the context of falling inflation these will be attractive not only to large investors, but also to the population. Other sources will be the revenue from Central Bank operations on the secondary market for state securities, limited borrowings from international financial organizations, and the sale of nonmarket issues of state securities through placings with pension insurance, and investment organizations' accounts.

VII.

The 1996 budget will be structured in a very tough way — fully bearing down on inflation, making tough economies, and being socially oriented and investment-oriented. This should be borne in mind at all stages of the budget process — from the elaboration of the draft to execution.

Exceptional responsibility will be required from the government, the Federal Assembly, and the Central Bank, and coordinated and timely decisions will have to be made. We need to ensure that the draft budget reaches the State Duma along with the main guidelines for monetary and credit policy defined by the Central Bank.

Russia should go into next year with a ratified budget.

[Signed] B. Yeltsin

[Dated] 23 June 1995, the Kremlin, Moscow

Text of Yeltsin Edict on Budget Amendments Draft Law

MM2606134195 Moscow ROSSIYSKAYA GAZETA First Edition in Russian 23 Jun 95 p 2

[Russian President's Directive No. 285-RP signed by President Yeltsin on 21 June 1995]

[FBIS Translated Text] To ensure the social protection of Russian citizens employed in the budget-funded sphere:

1. The Russian Federation Government shall within two weeks submit to the Federal Assembly State Duma a draft law on changes and additions to the Federal Law "On the Federal Budget for 1995" which envisages that additional federal budget revenue (excluding the revenue of specific budget funds) be used to index-link the population's compensation payments and expenditure on the labor remuneration of workers in the budget-funded sphere including state employees, servicemen, and people of equivalent status.

2. This directive goes into force from the day of its signing.

[Signed] B. Yeltsin, president of the Russian Federation

[Dated] 21 June 1995, Directive No. 285-RP

Text of Yeltsin Edict on Novgorod Governor Elections

MM2606134695 Moscow ROSSIYSKAYA GAZETA First Edition in Russian 23 Jun 95 p 2

[Russian President's Edict No. 612 signed by President Yeltsin in Moscow on 20 June 1995: "On Elections of the Governor of Nizhniy Novgorod"]

[FBIS Translated Text] In connection with the appeal by the organs of state power in Nizhniy Novgorod Oblast on elections of the governor of Nizhniy Novgorod Oblast and being guided by part 1, Article 77 and part 2, Article 80 of the Russian Federation Constitution, I decree:

1. To allow the organs of state power in Nizhniy Novgorod Oblast to hold elections of the governor of Nizhniy Novgorod in 1995.

2. The organs of state power of Nizhniy Novgorod Oblast are to ensure that a legal base necessary for the holding of elections is established within a deadline that ensures the observance of federal legislation on guarantees of citizens' electoral rights.

[Signed] B. Yeltsin, president of the Russian Federation

[dated] 20 June 1995, the Kremlin, Moscow, Edict No. 612

Chernomyrdin on Political Destabilization

LD2606180995 Moscow ITAR-TASS in English 1632 GMT 26 Jun 95

[By Oleg Velichko and Andrey Shtorkh]

[FBIS Transcribed Text] MOSCOW, June 26 (ITAR-TASS) — "The country does not need either the dissolution of the Duma or the resignation of the government. Nor does it need political destabilisation which will inevitably set in in either case," Russian Prime Minister Viktor Chernomyrdin said.

Chernomyrdin met members of the Russia's Choice and Stability factions to discuss ways to resolve the

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parliamentary and government crisis, the government press service told ITAR-TASS on Monday.

The deputies confirmed their support for the government and its measures to restore peace in Chechnya and reach economic stabilisation in the country.

Russia's Choice was represented by Yegor Gaydar, Boris Zolotukhin, Sergey Kovalev and Sergey Yashenkov, the Stability faction by Aleksey Leushkin, Vladimir Kravtsov and Sergey Voronov.

Chernomyrdin Meets With Factions

LD2706103895 Moscow ITAR-TASS in English 0948 GMT 27 Jun 95

[By Oleg Velichko]

[FBIS Transcribed Text] MOSCOW June 27 (ITAR-TASS) — Resignation of the government or dissolution of the State Duma may lead to a political destabilisation in Russia. This conclusion was reached by Russian Prime Minister Viktor Chernomyrdin and leaders of the faction of the Agrarian Party in the State Duma as a result of a meeting held on Tuesday. The agrarians supported the government's stand on peaceful settlement of the situation on Chechnya and continuation of negotiations in Groznyy.

In his turn, Viktor Chernomyrdin declared for "rational approach to the support for agriculture." In this connection, he noted that financing of farm producers in accordance with the budgetary plans will be increased in the second and third quarters of the current year. Chairman of the Agrarian Party Mikhail Lapshin suggested a number of measures toward overcoming the crisis in Russia's regions that were affected by the drought.

Chernomyrdin will continue consultations with Duma factions toward resolving the government and parliamentary crisis in Russia. He will meet with leaders of the Party of Russian Unity and Accord on Tuesday evening.

Chernomyrdin Meets With Delegation Back From Chechnya

LD2506144195 Moscow ITAR-TASS World Service in Russian 1421 GMT 25 Jun 95

[FBIS Translated Text] Moscow, 25 June (ITAR-TASS) — A meeting was held today at the out-of-town residence of the chairman of the government of the Russian Federation between Viktor Chernomyrdin and members of the Russian delegation at the talks on a peaceful settlement for the crisis in the Chechen Republic, according to a release from the Government Information Directorate received by ITAR-TASS today.

During the conversation, which lasted two and a half hours, the results of the first stage of the talks at which an agreement in principle was reached on a system for carrying out military and political tasks were discussed. These included the creation of conditions for holding free democratic elections at all levels of power in Chechnya. It was also agreed that the most important conditions for solving all of Chechnya's political problems were the avoidance of force, the resolution of all problems by exclusively peaceful, political means, and guarantees to avoid revenge and ethnic strife.

The delegation, which will resume talks on Tuesday [27 June] in Groznyy, was given specific instructions and the stages of and conditions for further progress in the peace settlement were outlined. The delegation received additional powers to look at political issues during the talks.

Settlement Talks on 'Right Track'

LD2606143195 Moscow ITAR-TASS in English 1025 GMT 26 Jun 95

[By Andrey Kirillov and Aleksandr Fedoseyev]

[FBIS Transcribed Text] MOSCOW, June 26 (ITAR-TASS) — Russian premier Viktor Chernomyrdin expressed a viewpoint that the talks on a settlement in Chechnya are on the right track and favoured the use of all possibilities at these talks.

In an interview with journalists after the end of talks with Chinese premier Li Peng this Monday, the Russian cabinet head noted in reply to a question on Chechnya that some results of talks which were held in the recent past were summed up and specified.

"I believe that the talks are on the right track, and results will be reported to the president." According to Chernomyrdin, there are questions which should be discussed and which should be examined by Boris Yeltsin.

"We expand our delegation at the talks in Groznyy", the premier said. "I believe that these days are exactly a period when these talks should be held. They should be conducted normally, and all possibilities granted to us should be used, above all political possibilities," the premier stressed.

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President's Press Service on Yeltsin-Gaydar Meeting

LD2606164795 Moscow INTERFAX in English 1515 GMT 26 Jun 95

[From the "Presidential Bulletin" feature: compiled by Nikolay Zherebtsov and Andrey Petrovskiy; edited by Vladimir Shishlin]

[FBIS Transcribed Text] Russia's President Boris Yeltsin met with Russia's Choice leader Yegor Gaydar in the Kremlin Monday.

As a report released by the presidential press service says, possible ways of overcoming the crisis between parliament and government were discussed. Gaydar told Yeltsin about the work being done to consolidate the democratic forces in view of the impending elections.

IF Note: Meanwhile, Gaydar has revealed to INTERFAX that the talks with the president focussed on ways out of the crisis between parliament and government, on possible governmental changes, and on the current domestic situation.

Gaydar refused to divulge the substance of the discussion, referring to its confidentiality. He only remarked that the president's stance looked "constructive" to him, and he "was on the whole satisfied with the talk."

Gaydar voiced his intention to take part in a meeting planned for Tuesday between the president and the leaders of parliamentary factions and groups of deputies.

Russian President Boris Yeltsin met with Russian Security Council Chairman Oleg Lobov in the Kremlin today.

The Russian president's press service said Lobov had informed Yeltsin on the preliminary results of the investigation of the Budennovsk events carried out by a special commission, which Lobov heads, and on his meetings with the heads of law enforcement departments.

Lobov told Yeltsin about the preparations for another meeting of the Security Council planned for June 29 at 11:00. The Security Council will at its next meeting discuss the raid in Budennovsk, the Stavropol Region, and measures for fighting terrorism. Head of the Stavropol Region's administration Yevgeniy Kuznetsov was invited to take part in the Security Council's meeting.

According to the same source, Yeltsin concentrated on raising the efficiency of the fight against terrorism at his meeting with Lobov. Yeltsin said efforts regarding the fight against terrorism must be coordinated not only within Russia but also internationally.

The Russian president's economic advisor Aleksandr Livshits stated that "the vote of no confidence, passed on the government by the State Duma, has not caused any serious tremors on the currency, stock and other markets."

"The economy rejects the idea that the conflict has gone too far. It reckons on the politicians' ability to abate the crisis and needs stability," he told INTERFAX Monday.

To quote Livshits, "the economy is in dire need of timely adoption of the 1996 budget, and laws on joint-stock societies, on the stock market and on production sharing." He is convinced that "millions of Russian citizens are looking forward to laws that would simplify the taxing of small businesses, and send extra revenues from the 1995 budget revenues to the social sector." "The deputies should put their energy into this, not into confrontation," said Livshits.

Gaydar on Meetings With Yeltsin, Chernomyrdin

LD2606195295

[FBIS Editorial Report] Moscow Russian Television Network in Russian at 1625 GMT on 26 June carries in its 10-minute "Details" program a "live conversation" between former Prime Minister Yegor Gaydar and announcer Nikolay Svanidze on meetings Gaydar had earlier in the day with Russian President Boris Yeltsin and Prime Minister Viktor Chernomyrdin.

Svanidze asks Gaydar if he thinks Yeltsin's and Chernomyrdin's intentions regarding peace talks with the Chechens are sincere.

Gaydar says: "It seemed to me that both the president and the prime minister had, to a considerable extent, realized that there is no military solution to the problem, and that it is necessary to hold talks, constructive talks, not just tactical ones. I think there is substantial optimism."

Svanidze asks if this is a firm change of position.

Gaydar replies: "It is, at any rate, quite a substantial change of position. Let's see. The talks will show how firm the desire for peace is on both sides. But today I take a more optimistic view of the possibility of making progress than, let's say, a week ago."

Svanidze then recalls that today is the first occasion on which Yeltsin and Gaydar talked to one another since the start of the Chechen war. Gaydar agrees this is the case. They had disagreed strongly over the war, and Gaydar now welcomes Yeltsin's apparent change of heart.

Svanidze then asks: "Why were you invited today?"

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Gaydar replies with the following non sequitur: "I think, you know, that two people played a key role in saving the people in Budennovsk. They were Sergey Kovalev and Viktor Chernomyrdin. Sergey Kovalev, who negotiated the main parameters of the agreement and initialled it, and Viktor Chernomyrdin, who gave him the mandate to negotiate, supported the agreement, and secured its implementation."

Later on, following general reflections on the vote of confidence situation in parliament, Svanidze returns to today's talks with by asking Gaydar how he sees things between Yeltsin and Chernomyrdin regarding Chechnya, the economy, the composition of the cabinet of ministers, and the vote confidence. What is the level of agreement or disagreement between them on this issues, he asks.

Gaydar replies: "I was pleased and delighted that the positions of the president and the prime minister on these matters seem to me essentially to be close. Maybe that wasn't always the case, but I sensed that today."

Gaydar Comments on Talks

LD2606234295 Moscow ITAR-TASS World Service in Russian 1351 GMT 26 Jun 95

[By ITAR-TASS correspondent Andrey Shtorkh]

[FBIS Translated Text] Moscow, 26 Jun (ITAR-TASS) — In all likelihood, the "Russia's Choice" Duma faction will again vote for confidence in the government on 1 July, Yegor Gaydar, leader of the "Russia's Democratic Choice" party, told ITAR-TASS after today's meeting with Russian Government Chairman Viktor Chernomyrdin.

Summing up the results of his meeting with the prime minister, Yegor Gaydar remarked: "First of all, we discussed problems related to the government and parliament crisis and ways of overcoming it. Viktor Chernomyrdin seemed to be in favor of searching for ways to resolve this crisis."

According to Yegor Gaydar, problems related to the talks on a peaceful settlement in Chechnya were touched upon in the conversation with the head of government. "On the whole, we had a common stand on these talks, on the hopes that exist and on the things that are being done," Yegor Gaydar noted.

The leader of "Russia's Democratic Choice" also said that he met Boris Yeltsin today. "It was a tete-a-tete meeting, and tomorrow the president will have 'a large-scale meeting' with the leaders of Duma factions, which I will attend too," Yegor Gaydar remarked. Touching upon the content of his conversations with the Russian president, he said that they discussed a problem related to the confrontation between the two branches of authority. "It seemed to me that Boris Yeltsin is inclined to try to resolve the crisis that has taken shape," Yegor Gaydar said.

At the meeting with the president, Yegor Gaydar discussed an issue related to cadre changes, "which are necessary, in our view." Asked by ITAR-TASS to specify what conclusion Yegor Gaydar and Boris Yeltsin had drawn regarding cadre reshuffles, the leader of "Russia's Democratic Choice" said: "Our demands are known regarding the 'power ministers'. As to the president's and the premier's positions, I would not like to anticipate for the time being but on the whole we see Boris Yeltsin's and Viktor Chernomyrdin's positions as constructive ones."

Issues related to the country's economic course comprised the third problem discussed at the meeting with Boris Yeltsin, Yegor Gaydar said. He had voiced the view that the current course needs certain amendments and, according to him, the president showed understanding for this position.

Medvedev: Yeltsin Not Seeking Confrontation With Duma

LD2606141495 Moscow Russian Public Television First Channel Network in Russian 1100 GMT 26 Jun 95

[From the "Novosti" newscast]

[FBIS Translated Text] Sergey Medvedev, the president's press secretary, said today that Boris Yeltsin's current round of meetings is only the start of mass consultations intended to overcome the political crisis. [video cuts to show Sergey Medvedev seated in an office being interviewed by unidentified correspondent]

[Begin recording] [Correspondent] Sergey Konstantinovich, it follows from the statement you made today that the president does not intend to aggravate the parliament-government crisis. What premise is the head of state basing this on?

[Mevedev] You quite rightly note that the president has no interest in confrontation. The president advocates dialogue and it would be incorrect now to interpret Yeltsin's position as that of a president moving away from any kind of compromise, who is striving to make use of the advantage, the clear advantage, which he now has.

Boris Nikolayevich [Yeltsin] does not want to do that. He does not want to do that because he can see that not all possibilities for constructive dialogue have been exhausted. The possibility of finding a compromise,

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finding a way of working normally and productively with the Duma, has not yet been exhausted.

Incidentally, you probably know that I pointed out that it is rare for the president, when he goes on the warpath, to let anyone get the better of him. The president is not looking to win here. Today he met with Yegor Timurevich Gaydar, leader of the Russia's Choice bloc. Tomorrow the president plans to meet with [Prime Minister] Viktor Stepanovich Chernomyrdin, with [Duma Speaker] Ivan Petrovich Rybkin, and with ministers. Then Ivan Petrovich [Rybkin] and leaders of the parliamentary factions and groups of deputies will continue their consultations with the president. Tomorrow is a big day of consultations, and I believe that the following days will also be devoted to this.

It is perfectly clear that 1 July could bring solutions other than those which are now being prepared by the most dedicated advocates of confrontation. Let us wait for 1 July — there are quite likely to be surprises. [end recording]

Moscow Rejects Basayev's 'Threats'

LD2606161495 Moscow ITAR-TASS in English 1504 GMT 26 Jun 95

[By Andrey Shtorkh]

[FBIS Transcribed Text] MOSCOW, June 26 (ITAR-TASS) — Russian presidential spokesman Sergey Medvedev said on Thursday that Russia would neither accept nor understand a language of blackmail and threats, in which they tried to speak. Medvedev referred to a recent threat by Chechen terrorist leader Shamil Basayev to bring war to Russia if peace talks in Chechnya fail.

The talks on peace settlement between a Russian government delegation and Dudayev's representatives started in Groznyy last week. The talks will resume on Tuesday.

"I am not quite certain that Basayev actually said this. But if it is so, we deal with a most treacherous person who can well make his threats true," the spokesman added.

Basayev, who organised a recent assault and hostage-taking in Budennovsk, told AFP on Sunday that he planned to shortly join 63 Chechen fighters in one of Russian cities to bring them to Chechnya or stay in Russia, depending on the talks results. He was interviewed in a settlement in south-eastern Chechnya.

"If everything goes well at the talks, we will come back together. If not, we will see what to do then," Basayev said.

Just now, we have stopped the war and I do believe that Russian Prime Minister Viktor Chernomyrdin is sincere when promising to do everything to settle the conflict by peaceful means, AFP quoted Basayev as saying. But if the war is to be continued, it will be continued there (in Russia), Basayev said.

Meanwhile, the Russian premier said that the negotiations in Chechnya were going "in the right direction" and urged to do every effort to reach success at the talks.

'Power Structures' Warn Against Ignoring Basayev's Threats

LD2606184795 Moscow ITAR-TASS in English 1829 GMT 26 Jun 95

[By Andrey Shtorkh and Olga Semyonova]

[FBIS Transcribed Text] MOSCOW, June 26 (ITAR-TASS) — Russian "power structures" warned against ignoring recent threats by Chechen commando leader Shamil Basayev even if they were "pure bluff". The Federal Security Service (FSS) has already instructed local law enforcement agencies to tighten control over their jurisdictions, a FSS spokesman said.

On Sunday, Basayev was quoted by AFP as saying that he would bring the Chechen war onto Russian soil if peace talks in Chechnya failed. Basayev also said that he was going to join another 63 fighters in a Russian city in order to either bring them back to their homeland or mastermind another terrorist action on Russian territory.

"A statement of this sort looks very much like bluff," Major-General Aleksandr Mikhaylov said. He also put in question whether an AFP reporter actually met Basayev who was hiding in a canyon near southeast Chechen town of Dargo.

This viewpoint was supported by a spokesman of the Russian federal troops command in Chechnya. "Most likely, it is Dudayev's propaganda spread in order to influence the (results of) Groznyy talks." The spokesman said that all measures were taken to locate terrorists scattered in the Dargo canyon and it was highly unlikely that Basayev agreed to meet the reporter. "The risk is too high, the more so if he plans new actions which cannot be completely ruled out," the spokesman said.

Gorbachev on Dismissals, Chernomyrdin's Performance

LD2606195595 Moscow INTERFAX in English 1733 GMT 26 Jun 95

[FBIS Transcribed Text] MOSCOW, June 26 (INTER-FAX) — Former Soviet president Mikhail Gorbachev

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on Monday called for the dismissal of Defense Minister Pavel Grachev, Interior Minister Viktor Yerin, Federal Security Service director Sergey Stepashin and Deputy Prime Minister and Nationalities and Regional Policy Minister Nikolay Yegorov.

"All of them have to a greater or smaller extent discredited themselves," Gorbachev said, answering a question by INTERFAX during a meeting with reporters.

Going over to current peace talks between Moscow and the Chechen rebels, the ex-president said: "The military are bound to try to torpedo the talks." It is last November that negotiations should have been started, he added.

But the Russian government did not start the talks because it thought its Chechen policy was wrong, Gorbachev continued. "I think this authority will never admit (its) mistakes, it is incapable of that as it is incapable of generating any new policy."

The former Soviet leader praised Prime Minister Viktor Chernomyrdin for his "constructive role" in releasing hostages seized in Budennovsk by Chechen guerrillas nearly two weeks ago. Chernomyrdin "showed what he was capable of."

Today "all efforts" should be put into making the next parliamentary and presidential elections materialize, Gorbachev went on. It must be ensured that the elections are "democratic and well-organized at all their stages." "The main thing is to make people show their real will," the former president said. "The choice society makes will determine the development of the country for decades ahead."

"I have never been going to take part in the parliamentary election," he said. "I don't know whether new developments will make me change my mind."

As for whether he would run for Russian president next summer, he said he would make up his mind after he had "very attentively studied the situation in Russia" and did a lot of travelling within the country. "I'll make a decision when that becomes necessary. I won't make any fuss — I'm a person who's lived in politics for 40 years."

He said he was "absolutely sure" there existed a ban on giving him access to television. He complained he had been unable to speak through television for two or three years.

Government-Duma Crisis Contrasted With 1993

MM2606151895 Moscow SOVETSKAYA ROSSIYA in Russian 24 Jun 95 p 2

[Article by Svetlana Alekseyeva: "Farce After Tragedy"]

[FBIS Translated Excerpt] So, a government-parliament crisis. Possible options — within the framework of the present Constitution — for resolving it are being discussed. There are three possibilities: First, the Duma puts the question to a second vote and changes its original decision, expressing confidence in the government; second, the Duma has a re-vote, but the result remains the same or almost the same, in any event sufficient for the no-confidence motion to be preserved; and third, the Duma refuses the government its confidence and in addition raises the question of impeaching the president.

At first glance, the Duma loses in all three cases. In the first, it loses face; in the second, it finds itself facing the real prospect of dissolution; and in the third, it is drawn into a wearisome dispute with the president that cannot end in anything good. The government, again at first glance, wins in all three cases. In the first, it remains in power on the basis of the Duma's confidence; in the second, the president keeps it in power. In the third, its position will admittedly be ambiguous, but all the same it will not have to quit.

For the president, of course, the most desirable option is the first — for the Duma to reconsider. The second is worse — he will have to take the step of dissolving it and incur legitimate reproaches: You shelled one parliament and disbanded another. The third, involving impeachment, is not in the least desirable to him. Not because it presents a real threat (the procedure is too convoluted — like a 100,000-ruble note, with ten levels of protection), but simply on moral grounds: There is nothing very pleasant about undergoing an impeachment process toward the end of your presidency.

Which option will be implemented? Will the deputies waver, or not? Will the words of certain "observers," to the effect that seats are more important to deputies than principles, be confirmed? Even if that is true, in theory they are already thinking not about their present seats, but the future ones in which the new body of deputies will take their seats for four whole years. Consequently, success in the upcoming elections is a higher priority for them than to maintain the status quo for a few more months.

In short, the situation today is such that it is advantageous to each side to go for broke on the basis of considerations of the political future rather than the political present.

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And yet amid all the arguments and calculations that have instantly filled the newspapers and the airwaves, the most important thing has been left to one side — the thing that was the direct cause of the crisis — the general situation in Russia and the tragedy in Budennovsk, and if you look at it more broadly, the war in Chechnya. If the president, in expressing his disagreement with the Duma's decision, had at least cited some arguments to support that disagreement, for instance arguments to the effect that nobody in the government is to blame for what happened, then his position would at least have been comprehensible. But he is quite unable to cite any such arguments, if only because O. Lobov's commission is still in Budennovsk, the investigation has not been completed, and conclusions have not been drawn. What if they turn out to be compromising — to put it mildly — for the government, because after all, it was not for nothing that Yeltsin made it clear that the 29 June Security Council session is expected to be turbulent.

The Duma expressed no confidence in the cabinet not just like that, for no particular reason, but in an extreme situation, when there is, as the saying goes, nowhere else to go. Rampant terrorism has been permitted on Russia's territory, a devastating war is being waged, and all this against the background of a continuing economic slump and the decline in the population's living standard. What other motives, one wonders — worse, more terrible, than these — must exist in support of a vote of no confidence in the executive? Do the ministers, headed by the premier, have to go out personally onto the highway and bump somebody off?

I see no contradiction in the fact that originally confidence was apparently expressed in the power ministers. The deputies indicated in this way that they would not be satisfied with the removal of the power ministers alone, that is, with their being made into "scapegoats"; they are in favor of the resignation of the entire cabinet, since it is not possible to separate the responsibility of the premier and the vice premiers for the whole turmoil in the North Caucasus from the responsibility of the power ministers. Someone makes the political decisions and someone else shouts "Fire!" [passage omitted]

Even in the old days criticism and self-criticism of the authorities were normal, but in the days of democracy the government arrogantly refuses even to discuss the grievances against it. The president could have done it, rising above parliament and the government, but even before the Duma discussion, without yet knowing the deputies' arguments and evidence, he categorically declared that he would not permit the government to resign. I have confidence in the ministers because I trust them. The government is good because it is the government. It is, of course, hard, if not impossible, to conduct a political dialogue at that level.

Is the present situation a repetition of October 1993? Yes and no. Yes, in the sense that once again a tough confrontation is arising between the executive and representative authorities, a confrontation between parliament and the president. And that certainly does not speak in Yeltsin's favor, since it appears that he cannot get along or work with any parliament. Once again, as in the case of the Supreme Soviet, we are coming up against open, cynical disrespect for the legislative authority. What price all those smirks to the tv cameras: "As I say, so it will be," "The Duma is signing its own sentence," etc. Not even the outward decencies are observed — this is free-and-easy, self-confident disregard for the opinion of a majority of the people's legitimately elected representatives. After this, how can they expect the Chechens, or any other subjects of the political process, to be law-abiding and show respect for the federal authorities and the Constitution?

It is said that no destabilization will take place, and there will not be a repetition of the bloody events of 1993. How can they know? We are seeing a patent strengthening of strong-arm trends in the behavior of the executive authority, as if it is seeking revenge for its enforced concession during the Budennovsk epic. The armored vehicles on the streets of Moscow are very apposite, too. And since the threat of terrorism will now persist for a long time, it is quite likely that the elections to the new parliament (if the Duma is dissolved they should take place not in December, but in September) will take place in a corresponding atmosphere — with reinforced patrols and automatic weapons.

The best solution for everyone would be, in the situation that has arisen, to take advantage of the three-month period to examine the question of no confidence in the government. Due respect would thereby be shown for the Duma's decision, the government would continue to function, and the president would keep both sides "on the hook." A lot of water flows under the bridge in three months, and the second vote could be different, but without damaging the Duma's prestige. So there is in fact a fourth and entirely acceptable option — for the government to withdraw its question to the Duma on confidence in it.

Viktor Stepanovich [Chernomyrdin], inspired and emboldened by personal success at the talks with the terrorists, has in recent days begun to conduct himself unusually confidently, clearly feeling himself to be the hero of the day. That was why he himself put the request to Rybkin not to drop the question (nobody was planning to drop it anyway), that was why he went to the

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Duma session so boldly, with his head held high with pride, and for the same reason, on the following day, he submitted the question of confidence. He would most likely not have taken any such step in the ordinary, pre-Budennovsk situation.

But the point is that his heroism is in many ways superficial and ambivalent. For some reason, Gaydar counted up the casualties after the moment of boarding the buses, but what about the 120 who fell prior to that? And how many of them fell at the hands of federal forces? Moreover, the "interlocutor" has upped and gone. You can talk as much as you like about the "inevitability of retribution" now, but just try and catch him!

In fact, there are no heroes in this tragedy. On neither side. There are only victims — literally and in the metaphorical, political sense. And Viktor Stepanovich and Boris Nikolayevich should rack their brains and ask themselves: What have we done? Where did we go wrong in leading the country, if there are so many victims of our rule? They should ask people's forgiveness for everything. Yet they smile unconcernedly, sure of themselves. You must understand, they have no grievances against each other.

But the people have grievances, and very serious ones at that. The present situation is not what it was in October 1993. Then, it was a conflict among the ruling strata, while society was in a relatively stable condition. Today the situation in Russia itself, in the North Caucasus, is destabilized. It is destabilized by the war in Chechnya and the start and continued threat of terrorism. In these conditions, conflict among the ruling strata takes on a very different meaning.

Left-Wing Election Win 'Perfectly Attainable'

MM2706081195 Moscow PRAVDA ROSSII in Russian 22 Jun 95 p 3

[Report by Viktor Trushkov: "Conference of Russian Scientists of Socialist Orientation Produces Election Proposals for Communist Parties: Left Wing's Chances Weighed in the Scales of Science"]

[FBIS Translated Text] This is the second time since August 1991 that I have experienced such satisfaction. The first time was at the Constitutional Court, when the "CPSU case" was being heard there. Three years ago the self-confidence of the "democrats" in power was all-pervasive. All manner of hypocrites were still lining up to show their loyalty to the victors. And then the trial at the Constitutional Court was suddenly illuminated by the penetrating analysis of the very powerful intellectual potential retained by the communists. The second time I had this feeling was last Saturday, at the scientific-practical conference entitled "The Elections in Russia: Opportunities and Prospects for Left-Wing Forces."

What the conference produced was recommendations to the communist parties operating in Russia. The key section of these recommendations is probably the "12 demands of working people." In terms both of what they say and what they mean, these "12 demands" are reminiscent of Lenin's "The Impending Catastrophe and How To Combat It." However, our catastrophe is no longer impending but is upon us. It is not fortuitous that the basic arguments of the draft law on extreme measures to overcome the economic crisis and avert a national catastrophe drafted by Communist deputies in the State Duma are reflected in the "demands of working people."

The "12 demands" could, in the scientists' opinion, prove attractive to working people as the Communists' election manifesto. But here the first obstacle arises. We could see a situation develop whereby Communists become...rivals in the coming parliamentary election. That must not be allowed to happen, notwithstanding the continuing existence of several communist parties. This idea was an abiding concern in the report delivered by I. Osadchiy and the speeches made by R. Kosolapov, Yu. Pletnikov, and G. Rebrov (Moscow), P. Frolik (Saratov), A. Zhenatov (Kaliningrad), V. Baranov (Pskov), and others.

The participants in the scientific-practical conference organized by the Russian Scientists of Socialist Orientation came to the conclusion that it is advisable for all parties and movements of communist and socialist orientation to pool their efforts to form a united front if only because, given the present trends of Russia's social development, the Duma and presidential elections are the last chance to stop the anti-Soviet, antisocialist counterrevolution by parliamentary means.

The idea voiced at the start of the conference that the 1995 parliamentary election and the 1996 presidential election constitute a single election campaign received support in the speeches of the majority of those taking part. And, given that is the case, communists should right now not only set up their own election association for the Duma elections but also get most actively involved in fashioning a broad movement to unite all left-wing forces for the coming Russian presidential election. Communists do undoubtedly form the heart and soul of the left flank of society's political spectrum, but it should be acknowledged that they are not the only ones on that flank. If the communist parties identify their supporters and fellow-travelers in the 1996 election, this could also give considerable help in organizing the 1995 parliamentary election campaign.

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The findings of various polls were cited many times at the conference. They indicate the real possibility of the left-wing forces' winning both the parliamentary and presidential elections. And the high intellectual level of the conference was further proof that victory is perfectly attainable.

Poll Favors Lebed as Presidential Candidate

LD2706063295 Moscow Radiostantsiya Ekho Moskvy in Russian 0100 GMT 27 Jun 95

[FBIS Translated Text] General Aleksandr Lebed, the former commander of the 14th Army, currently has the best chances to be elected the president of Russia, according to a poll by the Russian center for public opinion studies. Grigoriy Yavlinskiy ranks second at the moment, and Svyatoslav Fedorov holds the third place. Incumbent President Boris Yeltsin only comes 10th on the list.

Federal Assembly

Chinese Group's Visit Proceeds Despite Bomb Threat

LD2606174295 Moscow INTERFAX in English 1522 GMT 26 Jun 95

[FBIS Transcribed Text] MOSCOW, June 26 (INTERFAX) — An anonymous person told the State Duma at 16:00 Monday that an explosive device had been planted in the parliament building.

The head of the State Duma press service, Viktor Cheremukhin, told INTERFAX that the person insisted that the device was set to explode at 16:20.

An official delegation from China's State Council was to arrive at that time. It was decided not to cancel the visit despite the bomb threat. There was no explosion at the above-mentioned time.

According to Cheremukhin, deputies and personnel were nonetheless evacuated from the parliament building at 17:40. A special mine clearing unit and police officers are searching the premises. Specially trained police dogs are used to sniff out explosives.

Shumeyko Views Chechnya Crisis, Politics

954F2605A Moscow ARGUMENTY I FAKTY in Russian Jun 95 No 25, p 3

[Interview with Federation Council Chairman Vladimir Shumeyko by ARGUMENTY I FAKTY correspondent Natalya Zhelnorova; place and date not given: "Speaker Shumeyko"]

[FBIS Translated Text] Multilayer security, airport-like metal-detector doors—and incredible heat in the magnificent office of the speaker of the Russian parliament's upper chamber. "Why do you live without an air-conditioner?"—"There is no money in the budget," replies Vladimir Filippovich with a twinge of feeling sorry for himself. It is hot, and I do feel sorry for him. Why not spend your own money instead of suffering such hell, I think to myself? With a new "Clinton" haircut, he changed a lot since our last meeting. The sparkle in the eyes, the boyish valor that used to make V.F. one of the "unpretentious" politicians have disappeared, replaced by the towering "statesman" posture.

Vladimir Shumeyko answers Natalya Zhelnorova's questions.

On Chechnya: The Speaker Is Convinced That the Russian People Are as Proud as the Chechens

[Zhelnorova] You were a deputy prime minister since 1992; since 1994 you are the speaker of the Federation Council, an organ that could be more influential than the president's team, because the Federation Council represents the whole country. Why have you not done anything to prevent the war in Chechnya, which may spread all over the country?

[Shumeyko] You are right that the Federation Council is the federative power, the power of the regions. In the very beginning of the Chechen war, I put the question of immediate withdrawal from Chechnya to a roll call. Only 19 voted for withdrawal of troops. Here is for you the opinion of the Federation Council as the organ representing all federation components.

In my opinion, there is no justification for the death of innocent people. But what was the first law Dudayev passed when he came into power? The law permitting purchase, sale, carrying, and possession of arms. In over three years, this part of Russia turned into a regular criminal zone; there was nothing resembling a state there. This criminal zone had to be eliminated. Naturally, while observing human rights, and naturally, without affecting peaceful population.

[Zhelnorova] By now it sounds like a joke. Why were not borders established; why was not this criminal zone blocked off as independent from Russia?

[Shumeyko] Nobody in the world recognized this republic's independence. I said that they created a criminal zone inside Russia.

[Zhelnorova] The important part—who did? Did I do it?

[Shumeyko] We, all together, did it. When Khasbulatov was saying that revolutionary-minded Dudayev overthrew the party apparatchik Zavgayev and a democratic revolution took place in Chechnya, many people rejoiced, believing that any means were good to get rid of

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party apparatchiks. Violence begets violence. During the war, Stalin said that all Chechens are traitors. After that, they were evicted from the land of their birth. Chechens' hatred had been genetically accumulating for decades. And now they turned it not into democratic reforms but into criminality: drugs, counterfeiting, arms. Airplanes landed on that territory, unloaded arms. Big money is floating there. We are not going to go into details now why and how it happened. But an end had to be put to it. One can only talk to gangsters from the position of strength. And the troops went there to demonstrate this strength, not to conduct a war. The war started, however, before they got to Chechnya. Some were killed in Ingushetia, some taken prisoner in Dagestan, and so on. There is a myth circulating now: to stop bloodshed in Chechnya, we need to pull out federal troops. Because, they say, it is already the people fighting there, not just gangster formations—old men, women, and children took to arms. But let us look at it from another angle: to stop bloodshed, let these old men, women, and children lay down arms. Immediately! I am told that this is not going to happen because Chechens are a proud people. But what about Russians, or Tatars, or Ossetians—are they not proud peoples?

[Zhelnorova] To be honest, I, and I think you, also would not have laid down arms.

[Shumeyko] Do not tell me tales about homeland. When the troops were moving, they should not have interfered. If our country had a normal authority and this authority was respected, nobody would have interfered with the troops.

[Zhelnorova] Had there been something to respect it for, it would be respected. You cannot force people to either love or respect you.

[Shumeyko] The current authority in Russia is called democratic. But it is only in the process of being built. The president was elected in general elections, the parliament has been elected—but this is only the top floor of the Olympus. The rest of Russia lives the way it lived before—in many ways by inertia.

[Zhelnorova] I am curious—why did you not quickly convene the Federation Council in the beginning of the Chechen events? You showed yourself as disinterested people, who are indifferent to it...

[Shumeyko] Your question betrays the "socialist mentality"— that there is a solution to any question. But decisions must be implemented. The Federation Council approves (or does not approve) presidential edicts on imposing a martial law or state of emergency, on the use of troops on foreign territory. Had the president made one of such decisions, the Federation Council would have discussed it. But he "bypassed" the Federation Council's competence. Therefore, in that concrete situation, there was nothing for the Federation Council to decide except to express its opinions in two decrees, which advised the president to immediately stop military actions and to the extent possible withdraw the troops or find a peaceful solution, hold elections. Expressing an opinion, however, is of interest only from the standpoint of the society.

[Zhelnorova] But an organ's prestige depends on public opinion. If you give smart advice, your prestige grows. This is where your authority lies.

[Shumeyko] This does not increase the prestige. The prestige of an organ of authority increases only when its decisions are carried out.

On Authority: Mr. Speaker Regrets That the Parliament's Powers Will Soon Run Out

[Zhelnorova] As the No. 3 person on the political Olympus, do you bear responsibility for anything?

[Shumeyko] Why do you not ask what rights I have? Before bearing responsibility, you must have rights. There is only one person with the right to make decisions—the president. We have a presidential, not parliamentary, republic. And he makes the final decision. Is it good or bad for Russia? It is good.

[Zhelnorova] What good is there? Look: war in Chechnya, refugees, hostages, criminals... No authority...

[Shumeyko] One way or the other, the war will end in peace, and authority is only absent in people's minds. Unfortunately, the society does not understand democracy, seeing it only as the freedom of speech, rallies, and assembly. The most important thing in a democracy is strict observance of laws. But laws in Russia were never observed. Actually, right now half of the laws are absent anyway. The State Duma has spent only 26 percent of its time on laws (instead of 12 constitutional laws, only one was adopted). The rest of the time was spent on political debates. All sorts of problems are being discussed, and especially heatedly those on which the Duma does not make decisions.

[Zhelnorova] And knowing this, you proposed to extend deputy terms—is this not blasphemy?

[Shumeyko] Over this time, these 12 laws would have been adopted. Now there is no return—we have to elect new ones. But there will be no laws again, the deputies will not have enough time to adopt them. Russia will not have democracy in the Western sense for a long time—there is no developed civil society that would support this form of authority, control it. It needs to be built.

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[Zhelnorova] But why do you keep saying "needs to"? Who keeps you from doing it? Strong authority depends on your strength as well...

[Shumeyko] Democracy does not allow solving everything by command, by strong-arm methods. The society is not yet ripe...

[Zhelnorova] Still, I want to understand what you will assume responsibility for?

[Shumeyko] There is not a single event where I could stand aside and say: "I did not participate in this decision." I was always deciding something. I did everything in my powers to strengthen authority in Russia. I am being criticized: "Shumeyko is the president's man," they say, "he is a weathercock—where Yeltsin turns, he turns." Yes, today Yeltsin is in power, and this means that I will be working for Yeltsin. Ivanov comes—I will be working for Ivanov. Strengthening democracy in Russia is first and foremost strengthening the authority. My career spanned from a metalworker to enterprise director, and I know that if there is no authority, we will have nothing. I have always supported authority all my life.

But unfortunately, in people's head there is no movement towards authority. They respect neither authority nor law, because today there is no penalty for ignoring the authority. And for Russia this is weakness. It will not get used to it for a long time.

On Elections: At This Point, Yeltsin Cannot Say He Will (or Will Not) Run in the Elections

[Zhelnorova] You said once that "if it comes to someone being nominated for president, he should agree—to see what kind of a politician he is and what he is really like...." I am curious: Whose money will pay (and election campaign costs enormous money) for you to look at yourself?

[Shumeyko] I have not declared myself a candidate; there is no political force behind me. When a person announces his run for presidency, he has to organize collection of signatures. Collect a million signatures in the regions—this is the minimum that qualifies him as a candidate. Each will try to collect as many as possible. Behind it, of course, is money.

I believe that it would be to Russia's benefit not to change the president. He still has to work out a program of action and a sum of laws. Replacing the president will result in replacing the team... This is very bad for Russia. The current authority is only beginning to work.

[Zhelnorova] Still, will Yeltsin run?

[Shumeyko] Boris Nikolayevich cannot declare his candidacy right now. If he says: "I have made a decision to run in the next presidential elections," all his actions will be immediately seen as a presidential campaign. And if he declines to run, the presidential staff will immediately stop working: They will be looking for a new "master." So, the president can announce his decision in the last hour of the last day before the established deadline. And as soon as he says it, work on collecting signatures will begin, including for Yeltsin. And when they are collected, we will see who gets a million, two million, or four million, and who in fact is the most realistic of all candidates.

No matter what the mass media say about the president, I am convinced that he is an exceptional, outstanding personality. The president always did what he had to do. And, having assumed enormous responsibility, he turned Russia toward democracy.

[Zhelnorova] You said once that "you cannot trust anyone in politics." Do you still trust no one?

[Shumeyko] A politician always thinks how to get to the top of the political process. If he does not think about it, he is not a politician. And in this sense you cannot trust anyone. Nevertheless, despite being burned many times, I still trust.

About Himself: Not a Single Kopeck Had Been Diverted at Shumeyko's Fault

[Zhelnorova] Your friendship with the military—is this an emotional impulse or a sophisticated design?

[Shumeyko] In the past, I served "on the frontline of the socialist camp" in Germany, of which I was proud then and I am proud now. I worked at a tank-repair plant. I still remember: Military Unit No. 48819. It was very hard service, but interesting.

[Zhelnorova] What rank did you have?

[Shumeyko] I was discharged in the rank of a sergeant. Now I am a colonel.

[Zhelnorova] You took under your wing a certain destroyer "Nastoychivyy" in the Baltic Fleet. Is it somehow connected with arms sales? Wicked tongues say that last summer you earned $36 million on this.

[Shumeyko] When I was still first deputy prime minister, I was appointed head of the commission on troops withdrawal. I looked into the matter of apartments for Baltic Fleet sailors. We decided not to withdraw all ships. Two combat ships were left to Lithuania. But the agreement with the government was signed in such a way that they would not pay money for these ships but instead use this amount to build apartments. Goodness,

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what an uproar this caused! And now apartments for the military have been built, and the Lithuanians have their ships. Not a single kopeck was diverted anywhere. Now everybody says: "This was the only proper solution."

As to "Nastoychivyy," it is interesting to have a ship where you can observe what changes have taken place in the Navy.

[Zhelnorova] So you are a hero, not a villain... And could you tell me about your trip to America? To a soccer tournament, to Disneyland—on a special plane. What did all of this cost to the treasury?

[Shumeyko] This was an official visit to California and Washington. In California we looked into the correlation of laws from the standpoint of federation components. Had a detailed discussion with the mayor on local legislation. We were interested in budget federalism—this is what we are lacking in Russia. Then we had a break in our work. A ticket to Disneyland costs $35. Pay and go in. A deputy per diem is decent, enough to afford this. We spent a wonderful day there, which I would wish for everyone.

[Zhelnorova] Why are you hiding your relationship with Yakubovskiy? Everybody knows you were close.

[Shumeyko] I have never ever concealed my relations with Dmitriy Yakubovskiy. I answered all the questions both in the procuracy and those posed by journalists. But Yakubovskiy and I were not personal friends. He worked for me for three months as a supernumerary. Yakubovskiy was recommended to me by respected people. I came to Moscow from Krasnodar, where I had been a general director. Became first deputy prime minister. The staff roster envisaged a staff of 18 for me, people I could rely on. Where do you get them? As to Dmitriy, I entrusted him with various errands, and he accomplished everything. A lawyer. Arrogant and a go-getter. There was enough utility from his work in the secretariat. He worked for three months, and then an idea came up to create a position—a law enforcement organs' representative in the government. I was the last deputy prime minister to sign this directive. Everyone else already attached a resolution. Naturally, I too signed this directive. It was then that Boris Nikolayevich called and said: "I made a decision that only I will be making appointments in the enforcement structures. You have a signed directive on Yakubovskiy..." The same day I canceled this directive. It was before it went into effect, and was not yet assigned either the date or a number. So you see, Yakubovskiy never was a representative, and nobody promoted him to a rank of general. But meanwhile he did manage to obtain an ID. After this he said that he was not interested in working for the government. And on that we parted. We were not personal friends. We are absolutely different people.

[Zhelnorova] I heard that you have a romantic relationship with a certain prominent lady.

[Shumeyko] Yes, such rumors are being circulated. How do I refute them? I have lived with my wife for 28 years. And have found out that she is the best there is. We recently had a church wedding. This means that our souls will be together even there, after this life. I do not want anything else. We have a good life together.

[Zhelnorova] The new hairstyle makes you quite imposing... Now you resemble two presidents at once—ours and the American one.

[Shumeyko] I used to have this hairstyle in my youth. (Shows a photo where he does indeed look like young Bill Clinton. We publish the photo).

[Zhelnorova] Very nice.

[ARGUMENTY I FAKTY] Our conversation took place on 13 June; the next day, the "Budennovsk massacre" began. What is speaker's reaction to it?

[Shumeyko] Putting aside bitter emotions, the Federation Council issued its strongly worded official opinion of the events on its 15 June meeting. I am particularly concerned, however, that Russia currently does not have a smoothly functioning system of national security that would be commensurate with the scale of our state.

Duma Protests Denial of Visas by Lithuania

LD2306223895 Moscow ITAR-TASS in English 1857 GMT 23 Jun 95

[By Ivan Novikov]

[FBIS Transcribed Text] MOSCOW, June 23 (ITAR-TASS) — The Russian State Duma, the lower house of parliament, described as "an unfriendly act" the decision of the Lithuanian republic to deny the issuance of visas to a group of deputies — members of the Duma Committee for CIS and Relations with Compatriots. The Duma adopted a statement to this effect at its meeting on Friday.

A group of State Duma deputies was supposed to pay a working visit to Lithuania from June 17 to 22 at the invitation of the Mayor's Office of the city of Visaginas. The purpose of the trip was to establish contacts with the Mayor's Office of this city, where 80 per cent of the population are Russians.

"The Lithuanian side, however, used a far-fetched pretext to deny the issuance of visas to Russian parliamentarians," the statement says.

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The State Duma voiced decisive protest in connection with the actions of the Lithuanian side, and recommended that the Russian Foreign Ministry send a note to the Lithuanian Foreign Ministry to warn about the consequences of discriminating deputies of the Russian parliament.

Statement Criticizing Yeltsin Distributed

LD2306221195 Moscow INTERFAX in English 1554 GMT 23 Jun 95

[FBIS Transcribed Text] MOSCOW, June 23 (INTERFAX) — The activity of President Boris Yeltsin "over the last two years testifies to the fact that he executes actions, one by one, which cannot be qualified otherwise as grave crimes," says a collective statement of more than 150 deputies of the State Duma representing factions of communists, agrarians, the LDPR [Liberal Democratic Party of Russia] and the DPR [Democratic Party of Russia] distributed in Moscow Friday. The deputies have put forward an initiative to start the procedure of the president's impeachment.

In line with the Constitution Yeltsin "can be impeached only on the basis of an accusation of high treason put forward by the State Duma or due to committing any other grave crime confirmed by a conclusion of the Supreme Soviet stating that there were signs of an offense in his actions and by a conclusion of the Constitutional Court stating that the established principles of the accusation's presentation have been fulfilled."

According to the deputies who signed this collective statement, "the anti-constitutional disbandment of the former Supreme Soviet in autumn 1993 entailing violence and resulting in numerous victims" are grave crimes committed by Yeltsin.

In addition, authors of this statement charge Yeltsin "with unleashing hostilities in Chechnya which have also led to numerous human victims."

The statement underlines that "a great number of hostages were killed as a result of the president-sanctioned assault of the hospital in Budennovsk which was seized by Chechen terrorists."

In accordance with the Constitution the State Duma "cannot be disbanded from the moment it voices its accusation against the president till the Federation Council adopts a corresponding decision."

A difficult procedure precedes the vote on putting forward an accusation against the president by the State Duma. The accusation is to be adopted by two-thirds of votes of the total number of the chamber's members. At first the chamber should consider the initiative of not less than one-third of the deputies (150) on the beginning of the procedure of impeachment. Then a parliamentary commission to verify accusations set forth against the president is to be formed. In addition, it is necessary to receive a conclusion from the Supreme Court about the presence of evidence of an offense in the president's actions and a conclusion from the Constitutional Court stating that the order to put forward an accusation against the president has been observed. After that the State Duma can start voting on the president's impeachment.

Vladimir Medvedev: Duma Driven by Emotion Not Logic

MM2606111295 Moscow ROSSIYSKAYA GAZETA Weekend Edition in Russian 24 Jun 95 p 4

[Interview with Vladimir Medvedev, leader of the "New Regional Policy" deputies' group, by Vadim Gorshenin under the general heading "Someone's Ambitions Instead of Common Cause?"; date and place not given]

[FBIS Translated Text] [Medvedev] If politicians are guided by their emotions, then that is no longer politics. I have to agree with Viktor Chernomyrdin — if we are talking about a critical socioeconomic situation and the need to solve these problems, we need to talk about joint action.

We too are to blame for the fact that reforms are making slow progress and their consequences have hit Russians hard. The change in economic policy, the adoption of the tax code and the '96 budget — everything comprising the legislative basis of the government's actions for getting out of the crisis — these are things that we have failed to do. So why are we calling for an improvement in the economic situation to be brought about solely by others, while we ourselves start playing political games?

After all, the premier stated that he is preparing a report for 19 July and expecting Duma deputies to talk about the concrete work that will be needed to be done both by parliament and by the government. Unfortunately, we did not want to heed this proposal.

[Gorshenin] You have said that the Duma deliberately passed the no-confidence motion in the Cabinet of Ministers, but you have mentioned on several occasion the emotions which seized the deputies. Is there not a contradiction there?

[Medvedev] I want to tell you that in most cases the position taken by deputies was based on emotion. Not on logic, a sensible approach, or a balanced assessment of the situation, but on conscious emotion. The Duma, instead of adopting the package of economic draft laws

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which had built up in our committees, is starting its electoral battles in the hall of sessions.

[Gorshenin] How will the situation develop?

[Medvedev] It will develop in accordance with the Russian Federation Constitution. We will be examining proposals from the government on the vote of confidence. Everything will depend on the Duma's position. I hope that we will put emotion and ideology to one side and allow the State Duma to complete its work to the end of its constitutional term. And that we will pass the draft laws and the 1996 budget, which are vitally important to our voters. We have one choice — either we strike a pose that we alone are unsullied (as certain party leaders are putting it), or we get down to solid everyday work.

Faction Leaders, Deputies on Confidence Vote

MM2606133595 Moscow SOVETSKAYA ROSSIYA in Russian 24 Jun 95 p 1

[Unattributed report incorporating interviews with Duma members by unnamed correspondent: "Duma Stress"]

[FBIS Translated Text] The government, injured by the Duma, ran to the president for help. The president threatened the Duma: By refusing Chernomyrdin its confidence it is, he said, signing its own sentence (one can hardly help adding — death sentence; after all, that is so common nowadays in our practice).

Only a day ago it looked as if the clouds would inevitably thicken and a political impasse on the 1993 model lay in store for us once again. And indeed, that is how things would have turned out, in all probability, if the Duma, like the old Supreme Soviet, had locked horns with the president. But apparently the deputies have learned something from political experience. Calling for prudence, and even more for actions and concrete steps aimed at improving the situation in the country, is useless. What you get in return is a dressing down, or even a tank attack.

Furthermore, television is at someone's beck and call, and there is a total lack of objective information about the work of the Duma itself.

Of course, it would be nice to resolve all the problems at once: replace the ministerial cabinet and announce an impeachment process against the president, enlisting the Constitutional Court in this procedure. It is hardly necessary to demonstrate the criminal and antipopular nature of the regime when numerous deputies' commissions concerned with the most diverse problems have in hand hundreds of instances speaking, nay shouting, in favor of this. And is not Budennovsk itself sufficient to deem the government and president incapable? Furthermore it must not be forgotten that impeachment, which requires 150 deputies' signatures to put it on the agenda, at one time received powerful support among voters, who, at the initiative of the Communist Party of Russia, provided 3 million signatures in favor of early presidential elections.

At the Duma session yesterday the decision was adopted to hold a second vote on a motion of no confidence in the government on 1 July.

How will the situation develop, what will that decision mean to us, how far is it justified, and will the stance of certain deputies have changed by that time?

Our correspondent put these questions to deputies from various factions, and also made an attempt to talk with presidential aide G. Satarov, who, with his colleague E. Pain, was a vigilant presence at the session.

V. Zhirinovskiy: The government and president are so frightened that they are prepared to disband this Duma, too. At the Duma Council yesterday I was categorically opposed to including on the agenda the government's counter-motion of confidence. This involves the violation of legal norms. Until the procedure launched by parliament reaches its logical conclusion, no counter-procedures on the same issue are permissible. That is the point of our Russian legislation and all legislation worldwide. You cannot try two cases simultaneously. That is the legal side of the matter.

The moral side is, frankly, monstrous. We thought it was the Constitution they didn't like. But they don't like anything. They didn't like the Supreme Soviet, and they don't like the Duma. It would be better for the president to get rid of his closest aides.

It's political terrorism again. Everything will stay the same. They no longer have the army or the money to organize a repetition of 1993.

But work among the deputies has already begun. They are going to all the factions, trying to buy people, putting pressure on them....

K. Zatulin: It is quite obvious that the president prefers Yerin and Chernomyrdin to the voters and the State Duma. This president and this government are not prepared to work with any parliament. They have proved it. We, the Democratic Party of Russia faction, believe that the question of no confidence in the government must be voted on for a second time in the course of the July session.

G. Yavlinskiy: Impeachment of the president is impossible. The Duma will go on working as it has done. Its influence on the country's life will remain as before.

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The president has constitutional powers. He can act as he finds necessary. There is no question of confrontation. This is not 1993. There is a procedure in the Constitution. The president will act according to how he sees the situation. The Duma will act as it sees it.

I have seen no examples of any work being done among deputies, any attempts to persuade them to alter the opinion they originally expressed.

G. Satarov: The Duma's initiative will continue to develop as erratically as it is developing now. The problem, really, is simple. If there are two rival constitutional norms, the procedure that was started earlier is deemed to take precedence.

I don't think the president will have any special reaction to the collection of signatures and the formation of a commission.

Judging by his actions, the president is taking the situation calmly, but I think he is agitated inside. It can't be pleasant: instead of getting on with his job, to have to get involved in this nonsense.

One can assume that the president's rapid reaction to the Duma decision was worked out beforehand: He will not give up the government.

V. Isakov: This is not the first time I have observed parliament in a state of stress. Its actions are unpredictable.

We have made a serious, responsible decision today. The Constitution, Article 117 Section 3, gives everyone three months for reflection. Strictly speaking, we have not received an answer from the president, because he cited an entirely different article of the Constitution, not the one under which we declared the vote of no confidence in the government. From the legal viewpoint, the question is open. I am in favor of all those involved in the clash giving it some calm thought and not being in too much of a hurry with the second vote.

Impeachment of the president and a no-confidence vote in the government cannot be lumped together. These are very serious political questions. The government goes into hysterics and goes running to the president: Let him choose between us and them. We have no doubt in whose favor the choice will be made. You can't settle the matter this way. And the government should not conduct itself like a drunkard who goes up to an intellectual in a hat: So you don't respect me? Say it again and I'll hit you!

A. Lukyanov: I think that when it comes to deciding the question of no confidence the Duma will look very carefully at the conclusions Yeltsin has drawn regarding his government.

As for the power ministers, our Communist faction has come out unequivocally on this matter a long time ago, but we would also like others to be included among those who should be removed — Chubays, Kozyrev....

Paper Claims Duma No-Confidence Vote Backfired

MM2606121795 Moscow IZVESTIYA in Russian 24 Jun 95 p 2

[Report by Sergey Chugayev: "State Duma Has Not Made Up Its Mind To Discuss Question of Confidence in Government"]

[FBIS Translated Text] The rapid response by the head of the Russian Government to the Duma's 21 June vote of no confidence in the cabinet seems to have stunned many legislators and plunged them into near panic. The dissolution of the Duma has proved to be a more palpable reality than ever before. The Duma Council's proposal to discuss the government's initiatives 23 June was rejected. Moreover, all the factions (aside from the Democratic Party of Russia) which two days earlier had advocated the cabinet's resignation most stridently of all voted against it.

The people behind the no-confidence vote were defeated on several points at once. First, they implemented their decision in a most unfortunate way: They attacked V. Chernomoyrdin, who is increasing his popularity among the future electorate and simultaneously shielded the unpopular power ministers. Second, they chose a most unfortunate time — straight after Chernomyrdin had resolved the crisis in Budennovsk. And, what is more, they were too early. It would have been more logical to raise the question of confidence in the cabinet 19 July after the premier's speech in the Duma on the socioeconomic situation in the country. Dissolving the Duma in late July would really not have settled anything. But the ideological tunnel vision characteristic of the left-wing opposition, which prevented them working out even the immediate consequences of their decisions, once again played a bad joke on deputies.

The Duma found itself cornered and began to suddenly lose its authority with its potential voters. What is more, it found itself hard pressed for time: Under standing orders, if the Duma does not examine a government appeal on confidence in it within 10 days, no-confidence is considered to have been voiced automatically and this may automatically entail the dissolution of the Duma. Many deputies do not seem to have read this article of standing orders. However, most parties and movements do not stand to gain from parliamentary elections held two months earlier than expected. The future participants in the elections simply do not have time to properly prepare for them. In a word, the Duma

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was clearly hasty in its desire to score more points on the eve of the election campaign. Many deputies, primarily the Communists, Agrarians, and Liberal Democrats, effectively played into the hands of their main political opponent today — Chernomyrdin.

The Duma could only choose one of two options: either back down and repudiate the decision on no confidence in the Cabinet and inevitably lose its vestiges of authority at the same time, or go for broke and declare no confidence in the cabinet for a second time and resign with banners unfurled. Communist deputies suggested the latter to their colleagues.

However, the prospect of political annihilation, albeit heroic, turns out to have had no appeal for most legislators. The Duma began a feverish search for a way out of the stalemate it had gotten itself into by going along with left-wing factions. As a result a somewhat clumsy but nonetheless fairly reliable means of compromise was found.

Having, as we recall, voiced staunch support for the power ministers at the previous session, the Duma decided this time to deprive them of support and advise the president to dismiss P. Grachev, V. Yerin, and N. Yegorov, who was associated with the latter at the insistence of a number of deputies (as we can see, the instinct for self-preservation sometimes proves greater than moral principles).

Many people were surprised that Sergey Stepashin, head of the FSB [Federal Security Service], survived the ordeal of the ballot: There were "only" 202 votes in favor of his resignation, not enough for the decision to be adopted.

The question of confidence in the whole cabinet is to be examined at an extraordinary Duma session 1 July (a day before the 10-day deadline envisaged by standing orders) and deputies are to be recalled from their electoral districts for this purpose.

The president has already spoken of government reshuffles. Thus, deputies may quite easily pretend that they are happy with the reshuffles and declare their confidence in the "new" cabinet.

The fact that the Communists' proposals for the president to immediately submit to the impeachment process or for A. Kozyrev and A. Chubays to be discussed along with the power ministers did not win support encourages the view that most legislators are inclined to seek accord with the executive and do not want dissolution.

Duma Constitutional Amendments Viewed

MM2606124995 Moscow TRUD in Russian 24 Jun 95 p 2

[Report by Nikolay Dorofeyev: "Deputies Eager for Control"]

[FBIS Translated Text] Last Wednesday was a very fruitful day for the lower chamber of Russian parliament. United in its "hatred" of the government, the State Duma adopted a number of further decisions perhaps not as "loud" as the vote of no confidence in the cabinet of ministers but still capable of serious consequences.

It is a case of the campaign initiated in the Duma to step up the subordination of the Russian Federation Government and its individual members to it. With striking unanimity, the lower chamber adopted a federal constitutional law on amendments to the Russian Constitution. In them the Duma is making a bid to expand the list of officials appointed by the country's president to their posts with the chamber's consent. The list includes not only the government chairman, as was the case before, but also vice premiers, the foreign affairs, defense, and internal affairs ministers, and leaders of the Federal Security Service and foreign intelligence service.

The parliamentarians also want to extend their control to the activity of the organs of state power — both over the government as a whole and over its individual members — introducing the parliamentary research institute. And they are also establishing the possibility of expressing no confidence both in the whole government and in each individual member of the cabinet of ministers.

Russian parliamentary circles have long been discussing the question of altering particular articles of the Russian Federation constitution. Particularly radical deputies regard it as illegitimate in general, forgetting that they are in the Duma only thanks to its existence. The amendments are being cobbled together in the depths of the State Duma Committee for Constitutional Legislation, awaiting their hour. And now in the opinion of the parliamentarians that time has come. The obvious weakness of the government's position as result of the tragedy in Budennovsk and the "vote of no confidence" put in the cabinet have seemed to the deputies a good start for opening the campaign to enhance the government's subordination to parliament.

The experts' assessments on the amendments adopted are very diverse. Some believe that they do little to change the thrust of mutual relations between the executive and legislative branches but no less audible are the voices of those who assert that the existing balance of powers so essential to Russia in the transitional period has been disrupted.

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Today the constitutional amendments adopted by the Duma entail no legal or other consequences for Russia. A long and "agonizing" process of approval and adoption initially by three quarters of votes in the Federation Council and then by two thirds of the legislative assemblies of the components of the Federation awaits them. This entire procedure is not that easy to overcome and it is not out of the question that the amendments adopted by the Duma will not succeed in doing so at all.

Federation Council Rejects Federal Laws

MM2706092895 Moscow ROSSIYSKAYA GAZETA First Edition in Russian 27 Jun 95 p 3

[Unattributed report: "At the Federation Council"]

[FBIS Translated Text] Having examined the federal laws "On the Securities Market" and "On Architectural Activity in the Russian Federation," the Federation Council has by decree rejected them in light of the unacceptability of some of their provisions.

The State Duma has been instructed to make changes to certain provisions of the rejected federal laws and to set up conciliation commissions to surmount these differences, selecting a number of deputies from the Federation Council to serve on them.

Correction to Glazyev Duma Speech

MM2306153395

The following correction pertains to the item headlined "Glazyev Urges End to Economic 'Madness'", published in the 23 June Central Eurasia DAILY REPORT, page 41:

Column two, second paragraph, first sentence make read: ...of our authorities' lack of professionalism and irresponsibility....(changing "unprofessionalism" to "professionalism")

Regional Affairs

Further on Course of Russian-Chechen Peace Talks

Official Denies Dudayev To Participate

LD2606193595 Moscow ITAR-TASS in English 1914 GMT 26 Jun 95

[By Yekaterina Zhilyakova]

[FBIS Transcribed Text] MOSCOW, June 26 (Itar-Tass) — First Deputy Nationalities Minister Vyacheslav Mikhaylov described as unfounded recent reports that Chechen separatist leader Dzhokhar Dudayev may join in the peace talks in Groznyy.

In an exclusive interview with Itar-Tass on Monday, Mikhaylov, who leads the Russian delegation to the talks with Chechen rebels to resume on Tuesday, said the "question of Dudayev's participation was not even discussed during the talks in Groznyy."

Speaking about the results of the first round of talks, Mikhaylov stressed that "we managed to find accurate solutions for a peaceful settlement of the Chechen problem." The Russian delegation, which will fly to Groznyy on Tuesday, has received "full powers for continuing the talks," he added.

Asked about what proposals the delegation will make during the second round of talks, Mikhaylov pointed out that first of all it is necessary to create "favourable conditions for conducting elections to local bodies of power in the Chechen republic this November."

"The Russian delegation will urge the Chechen side to provide guarantees that elections take place in a normal situation and that no one tries to influence free expression of the will of the Chechen people by force," Mikhaylov said.

He stressed that the Russian delegation did not issue any ultimatums about the extradition of Shamil Basayev who led a terrorist assault on the southern Russian town of Budennovsk almost two weeks ago. "The statement by the Russian delegation concerning Basayev contained not an ultimatum, but a sharp condemnation of terrorism, as well an appeal for assistance in detaining Shamil Basayev and members of his group who committed the terrorist act in Budennovsk," Mikhaylov said.

He noted that this appeal was fully supported by representatives of the Organisation for Security and Cooperation in Europe (OSCE) in Groznyy.

Chief Negotiator Views Progress

LD2706091295 Moscow Russian Public Television First Channel Network in Russian 0400 GMT 27 Jun 95

[From the "Novosti" newscast]

[FBIS Translated Text] The next stage of the talks on a peaceful settlement of the Chechen conflict is to start today in Groznyy. What is Russia's position at the second stage? Vyacheslav Mikhaylov, head of the Russian delegation, said that first of all it is necessary to create a situation that would be conducive for the holding of local elections in the Chechen republic in November. Mikhaylov said that the Russian delegation will demand guarantees from the Chechen side that the elections are held in a normal situation, and that no one one is allowed to use force in order to influence the free will of the Chechen people.

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Speaking about the results of the first round of talks, Mikhaylov underlined that the two sides in Groznyy found a formula for a peaceful solution of the Chechen problem. The leader of the Russian delegation denied recent press reports that Dzhokhar Dudayev may take part in the talks in Groznyy. Mikhaylov said that the issue of Dudayev's participation was not even discussed.

Next Round of Talks Postponed

LD2706081295 Moscow ITAR-TASS World Service in Russian 0715 GMT 27 Jun 95

[By ITAR-TASS special correspondent Nikolay Zagnoyko]

[FBIS Translated Text] Groznyy, 27 Jun (ITAR-TASS) — The start of the second stage of the peace talks in Chechnya between a Russian Government delegation and Dzhokhar Dudayev's representatives, which was planned for today, will evidently be postponed to Wednesday [28 June]. The ITAR-TASS correspondent learned this from a well-informed source at the Combined Group of Federal Forces command headquarters in Chechnya.

According to information from this source, the postponement of the talks is due to technical reasons.

The arrival in Groznyy of the Russian Government delegation, which returned to Moscow after the first stage of the talks, is expected this afternoon. A meeting between the members of the delegation and Russian President Boris Yeltsin is planned for this morning.

Basayev Terrorism Threat Denounced

LD2706121895 Moscow INTERFAX in English 1012 GMT 27 Jun 95

[FBIS Transcribed Text] MOSCOW, June 27 (Interfax) — Shamil Basayev's recent threat to repeat a terrorist act in a Russian city, if the talks on peace in Chechnya fall through is an attempt to exert pressure on Russia's leadership, Vyacheslav Mikhaylov, Russia's chief negotiator at the talks in Groznyy, told an Interfax interviewer on Tuesday.

"It's a totally senseless and unnecessary attempt to exert pressure since no one from the Russian side has intended to take actions, aimed at disrupting the negotiating process," Mikhaylov said.

The Russian delegation is flying to Groznyy on Tuesday for the second round of negotiations with Dudayev's supporters, opening tomorrow. Upon their arrival in Chechnya's capital tonight, Russian negotiators and their Chechen counterparts are expected to conduct consultations on the venue of negotiations.

As Mikhaylov told Interfax, talks will take place either in the building of the OSCE [Organization for Security and Cooperation in Europe] mission in Groznyy or in the territorial department of the federal authorities. "The question of arranging talks in the Bamut village is not on the agenda and will not be discussed," Mikhaylov said.

He believes the key issue at the talks will be the organization and holding of free democratic elections in Chechnya.

Update on Battlefield Situation in Chechnya

Chechens Said To Violate Cease-Fire

LD2706080795 Moscow ITAR-TASS World Service in Russian 0722 GMT 27 Jun 95

[By ITAR-TASS special correspondent Nikolay Zagnoyko]

[FBIS Translated Text] Groznyy, 27 Jun (ITAR-TASS) — In the past 24 hours illegal armed formations in Chechnya frequently violated the moratorium on military operations in the republic introduced for the duration of the peace talks and used weapons 23 times. The ITAR-TASS correspondent learned this today from the press center of the Combined Group of Federal Forces.

According to information from this source, one serviceman of the federal forces was killed and two were wounded during the shooting.

Operation To Clear Shatoy Complete

LD2706095495 Moscow Radiostantsiya Ekho Moskvy in Russian 0800 GMT 27 Jun 95

[FBIS Translated Text] A 10-day operation organized by OMON [Special Purpose Militia Detachment] has finished in Chechnya. Its aim was to cleanse Shatoy settlement from Chechen militants. During the operation an employee of Dudayev's special department has been arrested. He turned out to a citizen of Ukraine. More than 10 cases of looting by Russian servicemen have also been stopped during the operation.

According to the OMON spokesman, the cases of 15 Russian soldiers and 1 officer have been sent to the prosecutor's office. Meanwhile, the chief of the headquarters of the Chechen Ministry of Internal Affairs said in an interview given to Interfax that the law enforcement bodies of Chechnya have registered more than 80 crimes involving Russian servicemen.

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Chechen 'Terrorist' Shamil Basayev Profiled

954E1131A Moscow SEGODNYA in Russian
21 Jun 95 p 3

[Article by Artem Vetrov: "Shamil Basayev—Rational Terrorist"]

[FBIS Translated Text] Having in just several days changed from being a little-known field commander of a gangster formation into the biggest terrorist in world history, Shamil Basayev has in the public consciousness automatically switched to the category of pathological villains, sadists, and fanatics. This is, naturally, the simplest and most accessible path for an explanation of the conduct of people from this pleiad. In the opinion of specialists, the personality factor performs a certain role, of course, but only to some extent. This evidently applies to the personality of Shamil Basayev also, but, judging by the information obtained by SEGODNYA correspondents, a considerable role in the tragedy in Budennovsk (not counting the sloppiness and ineptitude of the authorities) was performed by this man's experience of life and combat and the circumstances in which he found himself.

According to people who have at various times encountered Shamil Basayev, he never gave the impression of being a fanatic or insane person. On the contrary, this person could sooner be classified as exclusively rational and pragmatic. It is for this reason that, as far as we know, he has not been distinguished by any human weaknesses—love of liquor, collecting, reading, and so forth. While formally acknowledging himself to be an orthodox Muslim, Basayev has never had the reputation of a fierce supporter of religiosity. In personal dealings he is not, according to eyewitnesses, given to jokes and gives the impression of being quite a morose and to some extent a malicious and severe person, but not at all a hysterical person but very strong-willed. Many people are inclined to attribute these qualities to his "truly mountain" origins, but all this together does not signify his total unmanageability. Data of Basayev's biography known to officers of Russia's special services testify to this also.

There was nothing, according to their information, that distinguished Shamil Basayev in his youth. He was born in 1965 in the village of Vedeno. After school, he studied in Moscow in the Land Management Institute. Having obtained his diploma, Shamil returned home. His name was heard for the first time in 1991 during the presidential elections in Chechnya. He was then an opponent of Dudayev as one of four candidates for this office. Of course, the young man could not be compared either in terms of celebrity or in terms of experience with his future boss, and after the elections he once again receded into the background. But not for long. In November of that same year, several days after the Russian Supreme Soviet's imposition of a state of emergency in Chechnya, Shamil Basayev together with several friends seized a Tu-134 passenger aircraft in Mineralnyye Vody. In negotiations with representatives of the authorities, the terrorists demanded at that time the lifting at home of the state of emergency. But, ultimately, Basayev simply had the aircraft take off and forced the pilots to land in Turkey. The hijackers surrendered to the local authorities and, following negotiations, were ferried back to Chechnya (in exchange for this, the aircraft and the passengers were freed and were able to leave for Russia).

Basayev spent the end of 1991 through the start of 1992 traveling. According to available information, he took part, inter alia, in the fighting in Karabakh on the side of Azerbaijan and for some time even underwent training, allegedly, at mujahidin bases in Pakistan. In the summer of 1992, Shamil Basayev could be seen in the most varied locations in Abkhazia. He was not involved in anything particular there—he took time off and recreated. But, in experts' opinion, Basayev was, in fact, engaged in reconnaissance ahead of the ripening war as a representative of Dudayev's combatants. In July he returned to Chechnya, where the start of combat operations found him. Literally several days later, he left to return to Abkhazia with a group of armed Chechens—about 15-20 men. En route, in Pyatigorsk, local police officers spotted Basayev's group and attempted to detain it. But Shamil seized a scheduled bus here, declared the passengers hostages, and, using them as cover, made for Karachay-Cherkessia. There the gunmen broke free from their pursuers, abandoned the hostages, and crossed the passes into Abkhazia. Initially Basayev commanded on the side of the Abkhaz forces merely his own small group, distinguishing himself here chiefly in pogroms against refugees and general robberies. He was "famed" for this in the taking of Sukhumi also.

In time Shamil's combat potential grew markedly, and by 1993 he was in charge of a battalion—still "Chechen" at that time, but subsequently renamed "Abkhaz". It is significant that, according to unofficial data, a big contribution to Basayev's development as a military specialist and professional saboteur was made by the Russian military specialists and advisers working, as we know, on the Abkhaz side. As a result, Shamil Basayev had, by October 1993, following almost 18 months of continuous fighting and combat training, become one of the most prominent and experienced of Dudayev's commanders. According to certain information, approximately 5,000 fighters, not only Chechen, what is more, underwent training in Basayev's battalion at that time.

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And, having returned to Chechnya, he was deservedly appointed commander in chief of the armed formations of the Confederation of Peoples of the Caucasus, having become in parallel the principal strike force of Dudayev himself. Thus, on the orders of his president, he liquidated at the start of 1994 the unorganized gangs of robbers ravaging trains from Russia. Although, it is said that Basayev left in their place his own organized gangs, who continued to plunder the railroad. Subsequently Shamil distinguished himself repeatedly in fighting against combatants of the opposition's Ruslan Labazanov. Following the commitment to Chechnya of the federal troops, Shamil Basayev's battalion put up the most dogged and organized resistance. By the start of the fighting, he had under his command, to the best of our knowledge, approximately 2,000 men. By May, following the rout at Vedeno, approximately 200-300 men remained in the battalion. It is worth noting that until recently Basayev had repeatedly entered into negotiations with the Russian military, even accepting the opportunity to end the resistance and to cooperate in exchange, it is true, for the safety of himself and his people and his retention of the rank of colonel formerly conferred by Dudayev. But, failing to reach consensus, Basayev's grouping decided to abandon the environs of Vedeno. According to one version, he intended to cross into Abkhazia, where he had reliable connections and could calmly "wait things out". It was contemplated driving across the territory of Stavropol Kray, Karachay-Cherkessia, and so forth — skirting Chechnya from the north. But the persistence of the police officers at Budennovsk interrupted this journey. As a result of the fighting, Basayev incurred wounded among his men, and he took refuge in the hospital, and, as an experienced saboteur, realizing that time had been let slip, he began to assemble hostages.... What followed is well known.

To complete the portrait of Shamil Basayev, certain details concerning this person's financial position need to be added. He is now far from a poor man since he was very actively involved, according to certain information, aside from the war, in the trafficking of weapons (from Chechnya to Abkhazia and back) and drugs, had a share from the robberies on the railroad, and, aside from this, has acquired a considerable amount from looting and robbery directly in the course of the combat operations.

Basayev: 'Military Response' If Talks Fail

AU2606120095 Paris AFP in English
1133 GMT 26 Jun 95

[FBIS Transcribed Text] Dargo, Russia, June 26 (AFP) — Chechen commander Shamil Basayev was headed Monday for an unspecified Russian city to plan a military response to the possible failure of peace talks due to resume this week.

"If the war must go on, it'll be over there (in Russia)," Basayev told AFP late Sunday.

Basayev, who masterminded the June 14 hostage-taking of 1,500 people in the southern Russian town of Budennovsk, revealed that he intended to leave this southeast Chechen town at dawn Monday for a Russian city where he planned to meet with 63 fighters.

"If everything goes well with the talks (resuming Tuesday), we'll all come back together. If not, we'll see what we have to do," he warned.

"For now we have stopped the war, and I really think that (Russian Prime Minister Viktor) Chernomyrdin is sincere in promising that he will do all he can to settle the conflict by peaceful means."

Russian and Chechen commanders have agreed a ceasefire but it has been repeatedly violated by both sides.

Basayev: Moscow Could Be Next Target

AU2606172895 Paris AFP in English
1603 GMT 26 Jun 95

[By Isabelle Astigarraga]

[FBIS Transcribed Text] Dargo, Russia, June 26 (AFP) — Shamil Basayev, the Chechen commando leader who stormed a Russian town and wrung concessions from the Kremlin, sat eating meat stew and warned that next time his target could be Moscow — if he can raise 34,000 dollars.

In an exclusive interview with AFP Basayev, who took 1,500 people hostage when his men raided the south Russian town of Budonnovsk in an operation that cost 150 lives, said his new motto was simple — "What's bad for Russia is good for us."

We talked in a ruined farmhouse heated by a wood stove as Basayev's men crowded round us. Basayev's headquarters is in the Drago region, surrounded by a network of Russian checkpoints. Russian tanks and armoured vehicles are stationed no more than five kilometres (three miles) away.

To his men he is a hero, the commander who took the Chechen war to Russia and won peace talks, a ceasefire and safe passage home. The Russians want to try him for banditry, murder and hostage taking. He has no regrets and plenty of plans.

These do not include surrendering to the Russians. If he should be captured, he said, he would demand to go on

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trial at the International Court of Justice in The Hague to "expose Russian terrorism."

Basayev said that if the peace talks due to resume Tuesday [27 June] failed he would again take the war to Russian soil.

"To get to Budennovsk (300 kilometres (185 miles) from the Chechen border) I had to spend 22,000 dollars," he said. "Two military trucks cost 15,000 dollars, and there was 7,000 dollars for the soldiers at the checkpoints. To get to Moscow I need 34,000 dollars."

He revealed plans to leave the southeast Chechen town of Dargo at dawn Monday for an unspecified Russian city where he planned to meet up with 63 of his fighters.

"If everything goes well with the talks, we'll all come back together. If not, we'll see what we have to do," he said. "If the war must go on, it'll be over there" in Russia, Basayev said.

"I don't want to engage in blackmail, but it's true, that as far as we are concerned, it's a thousand times easier to fight in Russia, because if civilians must die, they won't be ours," he added.

"For six months, we have all supported (the idea), but have not carried the war into Russia. But we have had enough of this barbarity. Every Russian must understand he has a responsibility for the actions carried out in his name," Basayev said.

"Even in Budennovsk, they did not understand that it was only a pale copy of what has been going on in Chechnya for six months," he said. Some 150 people died in the Budennovsk drama, which ended when Basayev's force was able to retreat to Chechnya, taking hostages with them as human shields.

So far in peace talks the two sides have reached agreement on disarming the Chechen fighters, a progressive withdrawal of Russian troops and a provisional ceasefire, which is regularly breached. The heavy guns have fallen silent but the Drago region is under continuing ground and air attack.

A final accord remains held up by disagreement over the province's future political status and the fate of Dzhokhar Dudayev, the Chechen leader who led the region in declaring unilateral independence and in the subsequent military conflict with Moscow.

"Chechnya has never been part of Russia, and I am sure Dudayev will never accept an agreement which says Chechnya is part of Russia," Basayev said, but he admitted he had not seen Dudayev for two months.

Russian Prime Minister Viktor Chernomyrdin has raised hopes of an imminent end to the six-month conflict, which has claimed between 15,000 and 30,000 lives, by taking personal charge of peace talks.

"For now we have stopped the war, and I really think that Chernomyrdin is sincere in promising that he will do all he can to settle the conflict by peaceful means," Basayev said.

Negotiations were due to reopen after Russian and separatist delegations have consulted their respective leaders.

Russian authorities have issued an arrest warrant, and called for Basayev's extradition, but Basayev said he had no intention of giving himself up.

An AFP journalist said two women were seriously injured when a Russian bomb completely destroyed a house in Dargo Saturday.

Russian forces have reserved the right to pursue military operations around Dargo in an attempt to capture Basayev.

Basayev Surprised by Chernomyrdin's Handling of Budennovsk

LD2606183795 Moscow NTV in Russian 1500 GMT 26 Jun 95

[Correspondent Yelena Masyuk video report from Chechnya — passages within quotation marks are recorded]

[FBIS Translated Text] [Masyuk] The town of Budennovsk in the Stavropol Territory was in the minds of millions of people only a week ago, when Shamil Basayev took hostages there. Today Basayev is in Chechnya.

[Basayev] "The action in Budennovsk was a desperate move. I express my sympathy to the relatives and friends of those killed. Some may perceive this as cynical, but both myself and my guys say this from the heart.

The most important thing is that there was some kind of brutality in us, as if a genie were let out of the bottle. At the start, there was even a feeling of ecstasy, when the Russian troops were shooting their own citizens.

[Prime Minister Viktor] Chernomyrdin's move was the only thing I had not expected. In a situation completely out of control even while negotiations with him were under way and when even his own order was not complied with — shooting, sorties, and provocations continued — he took such a responsibility. This surprises me, to be honest. I did not expect there would be a normal person in the government.

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This is one thing. Another thing is that I completely disagree with being described as a terrorist. I am not a terrorist. I am commander of a reconnaissance and sabotage battalion. There is a war, and I carried out an act of sabotage.

More to the point. I am even thinking of taking the case to the Hague Tribunal. If what Russia has been doing here for six months is not terrorism, then what I have done is no more than a children's game. If they admit that what Russia has been doing here for six months is terrorism, then I will admit that I also committed a terrorist act. Then they can take me to court, but they should try me on equal terms with the leaders of Russia. One thing I am not going to become is a scapegoat."

[Masyuk] Shamil Basayev had already mentioned at his news conferences in Budennovsk that he was planning a visit to Moscow rather than to a small town in the Stavropol territory.

[Basayev] "We wanted to storm the Kremlin."

[Masyuk] Are you sure you would have managed to?

[Basayev] "That's not the point, you understand. The main thing is that we could have destroyed it well. Would have let the steam off really well, if anything.

We took all munitions we needed with us. For example, I had over 1,500 cartridges with me, 10 grenades, five kilos of trotyl, a spare holder with 61 cartridges [i 61 vystrel u podstvolnika], and also this detachable unit for 152 cartridges [otstechka na yeshche 152 patrona]. I was not the only one with such combat supplies, other lads had roughly the same supplies."

[Masyuk] Shamil Basayev not only had munitions but also $3,000, which he was going to use for bribing Russian road posts. However, this money only took him to Budennovsk.

[Basayev] "The main thing is that I'd opened the bottle and let the genie out. People won't need me now, they know what to do. People have now got the taste of it. They understand that it is better to have a war in Russia than at home in Chechnya."

[Masyuk] [video shows field commanders and houses destroyed by the war] Almost all field commanders in Chechnya now feel the same. Shamil Basayev's action got them to look in a different way at the war in Chechnya and at the real possibility of bringing it onto Russian territory.

[Alavdin Khamzanov, commander of a detachment] "We have no choice. They forced us to do it."

[Masyuk] Didn't you want to repeat it?

[Khamzanov] "We can do far better than this, we really can. Russia can suffer much more, although it still is not completely aware of it."

[Masyuk] An official moratorium on the military actions in Chechnya was announced for the duration of the peace negotiations in Groznyy. Controversial information on the observance of the truce has come today from both sides. However, villagers of Benoy say that their village was shelled by artillery during the night of 21- 22 June.

[Unidentified villager] "After the moratorium was announced, they just kept shelling us from everywhere. These [showing a pile of cartridges collected in an apron] were lying all over the place here."

[Masyuk] That is what people in the mountain village of Benoy say. On our part, our film crew saw on 24 June that the Dargo ravine and the outskirts of the village of Dargo were shelled too.

Decision To Storm Budennovsk Hospital Made Jointly

LD2706111095 Moscow Radio Rossii Network in Russian 1000 GMT 27 Jun 95

[FBIS Translated Text] Our correspondent Georgiy Savtsov has just arrived back from a news conference given by First Deputy Interior Minister Mikhail Yegorov who led the operation to release the hostages in Budennovsk.

[Savtsov] The first deputy minister said that the decision to storm the hospital was made jointly by himself as head of the operation and Internal Affairs Minister Viktor Yerin. But the conclusions drawn by the heads of the law enforcement agencies are not reassuring although it is likely that they will be the conclusions reported at the next meeting of the Security Council.

The first of these is that Mikhail Yegorov is convinced that the terrorists should not have been allowed to go unpunished. This will become apparent later as one bad deed does, of course, breed another.

The second is that no law enforcement agency in the world can guarantee the safety of hospitals and kindergartens in small towns.

The third is that the presence of reporters and, above all, deputies at the scene of terrorist activities must be ruled out in the future because it allows the latter to demand serious concessions.

And the fourth thing is that young conscript soldiers with inadequate experience should not be used in such operations because, the first deputy minister believes,

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the chaotic shooting which broke out during the operation was due to inexperience.

Aleksandr Gusev, head of the Alpha [special forces] service, commented on the results of the operation. He said that it was the use of force that succeeded in allowing 130 hostages to escape while another 150 were released by the terrorists unconditionally. Bandits only understand the language of force.

Ingush, North Ossetian Presidents To Meet in Jul

MK2706132095 Moscow SEGODNYA in Russian 27 Jun 95 p 2

[Report by Natalya Gorodetskaya under the "Conflict" rubric: "Akhsarbek Galazov Urges Making the Caucasus Untroubled. People Have Been Murdered in Prigorodnyy Rayon Again"]

[FBIS Translated Text] At the conference "Present Social and Ethnic Problems in Developing International Relations," held last week in Vladikavkaz, North Ossetia President Akhsarbek Galazov proposed that a meeting of leaders of North Caucasus and Transcaucasian republics, with Boris Yeltsin's participation, on problems of safety in the region be held in the near future. In Mr. Galazov's opinion, this meeting has to address the problems of disarming illegal armed units, the return of refugees and forced migrants, and the establishment of social and economic ties between Russian Federation components in the North Caucasus.

The North Ossetia president's proposal is certainly very timely, since the numerous ill-provided for refugees in North Caucasian republics after the Georgian-South Ossetian, the Ingush-North Ossetian, and the Chechen conflicts — and the countless number of arms in people's possession — threaten to turn the situation in the region from unstable into uncontrollable. As life has shown, however, this problem cannot be solved by summits or by edicts. Some time has to pass for the peoples themselves to get reconciled after the bloody clashes and to give up the "Caucasian tradition of revenge" — only then can any agreements between leaders be fulfilled.

For instance, North Ossetia president Akhsarbek Galazov and Ingushetia president Ruslan Aushev, as early as nearly half a year ago, announced their willingness to meet, discuss problems, and sign an agreement on friendship. The small disputed North Ossetian Prigorodnyy Rayon, however, has become a great obstacle on the way of their good intentions. At the same time, Ingushetia is not going to revoke its territorial claims on the area, while North Ossetia is taking its time in bringing Ingush refugees back to their homes in four villages, which they abandoned during the armed conflict in 1992.

Shooting in this regions still continues, and representatives of both nations keep on dying, with no one hardly ever punished — in conformity with the Caucasian tradition "not to sell out one's people." On 22 June in the village of Kurtat, people were murdered again. Ingush refugees in caravans, returning to this virtually completely ruined village, escorted by Russian and North Ossetian Internal Affairs Ministry staffers, were greeted at the village outskirts with shouts and abuses by a not too numerous crowd of Ossetians who had remained there. All of a sudden, unexpectedly both for the Ingush people and for the Ossetians, shooting started. North Ossetian and Russian militiamen were first taken aback, but then returned fire, protecting the Ingush people. As a result, one Ingush man died, and five Ingush people and three Ossetians were wounded; Internal Ministry staffers were not harmed. Georgiy Kantemirov, the Republic of North Ossetia's minister of internal affairs, an investigative team, and representatives of the Prosecutor's Office of the Russian Federation Provisional State Committee visited the village right away. The Ingush refugees, however, categorically denied their involvement in the incident, which was, incidentally, confirmed by the Ossetians present there. The Ossetians, in their turn, according to a North Ossetian militia sergeant escorting the minister, said that they "had already resigned themselves to the return of the refugees, since this had to happen sooner or later." They also denied their guilt, which was equally confirmed by the Ingush people present. Therefore, the shooters were called "unknown people" and the search for them continues.

Both presidents believe that the clash was a "provocation" aimed at aggravating the situation in the region. True, in North Ossetia, there are insistent rumors that "it was Russian militiamen who did the shooting — there could be nobody else!" And the reason for doing this was to have a pretext for bringing in federal troops. It is well known that Ingushetia had insisted on this. According to ITAR-TASS, recently there was a meeting between Ingush President Ruslan Aushev and Vladimir Lozovoy, head of the Provisional State Committee, at which Mr. Lozovoy seemed to agree to the necessity of bringing federal troops into Prigorodnyy Rayon, and made a corresponding request to the Russian Federation Ministry of Internal Affairs.

Whatever the case, the incident in Kurtat has speeded up the meeting between the presidents of Ingushetia and North Ossetia. Supposedly, it will be held as early as in the first 10 days of July. According to Askhab Goygov, the Ingushetia president's chief of staff, problems of the safe return of Ingush refugees,

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and of restoring Prigorodnyy Rayon's infrastructure and forced migrants' ruined houses, are to be discussed. In addition, the presidents intend to talk about a possibility of concluding a bilateral agreement on friendship and cooperation between the republics.

Ingushetiya's Status, Refugees, Unemployment Examined

954F2621A Moscow MOSKOVSKIYE NOVOSTI in Russian 4-11 Jun 95 No 39, p 9

[Article by Lyudmila Leontyeva in Nazran: "Ingushetiya: Between Two Wars"]

[FBIS Translated Text] On 3 June three years have passed since the day of the formation of the Republic of Ingushetiya—the youngest among the components of the Federation. Its people went through two deportations in the last 50 years.

Not one homeland can be compared with Ingushetiya today. Almost a half million inhabitants of the republic are beyond the border of survival. There is practically 100-percent unemployment among the refugees from Chechnya and North Ossetia and half as much among the permanent residents. But the psychology of the Vaynakhs (Chechens and Ingush) absolutely does not permit begging. This idea as such is absent among them.

Poverty Without Beggars

The average wage for the republic is about R130,000. The wage is especially higher among members of the government—a little more than R400,000. President Ruslan Aushev's wage is lower than that of a secretary-typist of the Provisional State Committee (VGK) for the elimination of the aftereffects of the Ossetia-Ingush conflict who is quartered in Vladikavkaz. In Nazran there are also rich people. They can be counted by the number of elegant red brick palaces that dazzle the eyes against a background of poverty. But, that, apparently, is the will of Allah. Owing to it, a wealthy Ingush in the center of Nazran is building a mosque at a cost of R3 billion.

Hunger fainting spells among children and adults are an ordinary occurrence, because not even enough bread is eaten in many families. But you will not meet one beggar in Ingushetiya. Nor orphans and abandoned old men and old women. It is amazing that even destitute homeless persons, who previously fled here from all of Russia, cannot be found here. They are set up in homes where they do work around the house for food and shelter.

"But where is he to go, he has no one except for us," an elderly Ingush tells me about his homeless hanger-on. The noisy political campaign of a well-known department regarding "Ingush slaves" hurt the people. Republican law and order forces evicted all "out-of- towners" beyond the borders of the republic. Part of the "deported" social outcasts returned on the sly. The authorities do not notice them.

Refugees

In 1992 the Ossetia-Ingush conflict drove out more than 60,000 refugees from the Prigorodnyy Rayon of North Ossetia (before the 1944 deportation, it belonged to Ingushetiya). One hundred and fifty thousand refugees fled here from the Chechen war. There has not been and there is no territory in the world where almost half the population, as in Ingushetiya, would consist of refugees. The Russian land itself simply would not endure such pressure on its body politic—it would get bogged down in anarchy and moral decay.

Ingushetiya today has 13 refugee camps, and there are 12,000 to 15,000 persons in them. The local people have given shelter to the rest. There is practically not one home in Nazran, and not one apartment, where one or even several refugee families would not be living. These people do not receive help from the state. An allowance is not even paid for a newborn child.

Thus, Ingushetiya remains a test range for the study of problems of survival under extreme conditions. The refugee camp in the sovkhoz-technical secondary school in the suburbs of Nazran does not differ in any way from others; however, there is nothing here the timid can do. ""Housing" is a tiny room for several persons in a dilapidated building whose brick walls have cracks from the bottom to the top, because of which the "home" shakes and can collapse at any moment. The occupants have the appearance of concentration camp martyrs. The faces of many, especially the children, show traces of emaciation. Outbreaks of diphtheria and tuberculosis were recorded here. The children are generally infested with lice: There is no detergent and soap.

It is already four months in the republic that some of the refugees have not been given humanitarian assistance. The reason: their inclusion in lists of those returning to their old homes in four settlements of Prigorodnyy Rayon. That is the edict of President Yeltsin. It is as if they are now citizens of North Ossetia, but it it did not accept them: Local residents throw stones at buses with refugees, and they beat the vehicles with sticks, while the militia watch with cold indifference. The resources that are allocated by the state for refugees for housing construction do not reach the Ingush. And the restored homes are wrecked, burned, and looted. The Government of Ingushetiya is convinced that the inaction of the North Ossetia authorities is deliberate.

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As also is the feebleness of the VGK headed by Vladimir Lozovoy, deputy prime minister of the Russian Federation. At the end of last week, Deputy Prime Minister of Ingushetiya Boris Agapov submitted a request to the president of Russia to forcefully ensure the implementation of his edicts on the territory of North Ossetia.

"Lozovoy is a good guy when you are sitting with him in a bathhouse," President of Ingushetiya Ruslan Aushev said with bitter irony. "It is up to him to see to it that the situation changes?! A salary rate of three deputy chairman, a pile of privileges, and no kind of responsibility." Lozovoy will leave a memory of himself with a pile of "specific" true stories. For example, about the exploits of the operational-investigative group (SSG) that is subordinate to him. It replaced two dozen staffs in the emergency situation zone and let 900 of the country's legal professionals through it. The usefulness of their work for two years is zero, including the fact that the murder of Viktor Polyanichenko remains unsolved.

Crime—Zero

Squeezed between two conflicts—the Chechen and Ossetia-Ingush— Ingushetiya is actively resisting the endless prolongation of the emergency situation on its territory.

A unique fact is that the social abyss in which the people find themselves has not caused social tension. The people are not striking, they are not rallying, they are not forming parties and movements, and they are not writing complaints to the Kremlin. The almost 100-percent unemployed Ingush youth are not going out to murder, loot, and engage in a racket. The last does not exist in the republic as a type of crime. There are practically no thefts and armed robberies of apartments, and also no cases of rape. In the past four months, Ingushetiya has been in last place with respect to crime among components of the federation and in first place in solving crimes—77.6 percent. If you walk up and down all of Nazran at night, it is no more dangerous than in the daytime. All of this is striking when you consider that, for the two full years that it was separated from Dudayev's Chechnya, Ingushetiya lived without authorities, without a ruling structure, and without administrative borders.

Before Dudayev's regime, Checheno-Ingushetiya held the next to the last place in all social indices and the last place in crime. The Chechens, nevertheless, can keep themselves in check under any authority, but an authority that, nonetheless, would realize: A Chechen cannot be "reeducated" through force, he can only be destroyed (this is what General Yermolov reported to the Russian empress).

But it is a different century outside. The laurels of "conqueror of the Caucasus" are now dulling the senses of another general, and the present authority is at the same time losing even the instinct of self-preservation.

'Do Not Speak Ingush'

Ruslan Aushev could play the role of adviser on the Caucasus, an adviser without behind the scenes interests. The general, a veteran of the Afghan war, is a Hero of the Soviet Union. Russian politicians of the entire political spectrum are uncommonly unanimous in their assessment of the first president of Ingushetiya: He is honest. But moral sensitivity together with maximalism make this figure unacceptable to the Kremlin court. There is also the reason that the Kremlin does not trust Ingushetiya. The historical proximity of the Ingush with the Chechens and their desperate protest against bringing troops into a neighboring republic automatically put the brand of suspicion on them. Even a "good countenance" cannot hide the center's grimace of this distrust. I had occasion to observe one of them.

In the Ministry for Emergency Situations of Ingushetiya, Leyla, a young employee, was shivering as if in a fever after a telephone call to Moscow. She was calling up Deputy Minister Husayn Bekov, greeting him in Ingush. The nervous cry of the Moscow telephone operator immediately resounded in the receiver: "One more word in your language—and I will cut you off..." In the conversation, Leyla let something accidentally drop in Ingush. Moscow "cut off" the telephone. Taking upon herself yet another function, the telephone operator demonstratively took her time, and she did not respond to the attempts of employees, including the deputy minister himself, to establish urgent communications.

"I have two advanced degrees, but I am humiliated because of my national character and my native language!" Leyla could not calm down. "In addition, they are not ashamed of admitting their impudent and unceremonious eavesdropping."

People in the republic are convinced: Ingushetiya "was being pushed" into the Chechen conflict from the very beginning. Ingushetiya did not yield even after the firing on its settlements. Dudayev, who laid his people under the tracks of the Russian military machine, is categorically not accepted in Ingushetiya. The Ingush have no reason to have sympathy for the ambitious general, after all, it was the Ingush who became the second victim of this war and who have not recovered from the first bloody conflict with North Ossetia.

"Bringing troops into Ingushetiya under the pretext of fighting against the Chechen militants, who, withdrawing into the mountains can show up here also, will be

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an unforgivable mistake," says Colonel Vladimir Bulanichev, chief of the Nazran border detachment. "This mistake will once and for all destabilize the region."

Detachments and Bulanichev's border posts stand today on a conditional border between Chechnya and Ingushetiya.

Leader of Tatarstan Concerned Over No-Confidence Vote

MK2706094095 Moscow SEGODNYA in Russian 27 Jun 95 p 3

[Report by Dmitriy Lukashov under the "Reaction" rubric: "Mintimer Shaymiyev Hopes 'Deputies Will Not Go as Far as Political Suicide'"]

[FBIS Translated Text] "I was completely taken aback by the State Duma vote of no confidence in the government. Despite the frenzy of emotions that took possession of the deputies after the tragic events in Budennovsk, I would have thought they would have opted for the resignation motion for certain power ministers," Tatarstan President Mintimer Shaymiyev said in his interview to "SEGODNYA."

"Passing a resignation vote for Chernomyrdin's government today seems at least inappropriate," Mr. Shaymiyev went on to say. "And not only because it was the prime minister who had taken up the only correct line of action during the Budennovsk crisis, but also because you cannot clamp down on the process of reforms, which took a more or less proper turn with his coming into office."

According to the Tatarstan leader, "the deputies at the moment have become hostages to the Constitution, which many of them had been in a hurry to submit to a referendum." Mintimer Shaymiyev is apt to believe that now the deputies are themselves aware of "how far from perfect the Constitution is and of the need to change it in the very near future."

The Tatarstan president expressed his hope, however, that "the deputies will not go as far as political suicide." "The president was absolutely right in rejecting the government resignation vote. If the deputies stand pat on their decision, the president still has a right to act in accordance with the Constitution, which is not going to be favorable for the Duma," he said.

Besides, Mintimer Shaymiyev claimed that Russian power ministers, "whose irresponsibility has already brought no end of troubles, should resign."

Methane Explosion in Kemerovo Kills 7

MK2706130095 Moscow SEGODNYA in Russian 27 Jun 95 p 6

[Report by Kirill Dybskiy: "Methane Explodes at Krasnogorskaya Mine"]

[FBIS Translated Text] A serious accident took place 25 June at the Krasnogorskaya, Mine which belongs to the Prokopyevskugol production enterprise (Kemerovo Oblast; the city of Prokopyevsk is 200 km to the south west of the oblast center), where two powerful explosions occurred on that day. There are casualties.

According to the Russian Federation Ministry of Emergency Situations, at 2037 Moscow time a powerful internal methane explosion occurred at the third section of the mine. As a result, a team of five miners was buried under the debris. Four of them died instantly. The rescuers who were called to the scene of the accident tried to get into the blocked passageway but there was another powerful methane explosion. It cost the lives of three rescue workers, and another three were taken up to the surface and hospitalized. As of this moment doctors assess their condition as critical.

The mine has now been completely closed. Rescue work continues with the participation of three detachments of a paramilitary rescue unit. A special commission of the Russian Federation State Technical Supervision Committee is looking into the causes of the tragedy.

Incidentally, this is the second "double" methane explosion in Russian mines this year. The previous accident happened in Komi. During the clearing of debris, rescuers opened a cavity filled with methane that exploded from an accidental spark.

Role of Local Governors Defended

MM2606154095 Moscow ROSSIYSKAYA GAZETA First Edition in Russian 23 Jun 95 p 4

¡Account by Tatyana Shutova of interview with Sergey Samoylov, deputy chief of the Russian Presidential Staff Administration for Work With Territories; place and date not given: "Leave the Governor in Peace. Vertical Structure of Executive Power in the Regions Does Not Require Changes Yet"]

[FBIS Translated Text] The Russian president is the guarantor of the constitution and ensures liaison and interacts with the organs of power and the organs of management of the Federation components. Who does the groundwork for the president's regional policy? The conceptual groundwork is done by the President's Analytical Center. The practical and organizational aspects of that work are undertaken by the Presidential

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Staff Administration for Work With Territories. Sergey Samoylov, deputy chief of that administration, now talks about the main areas of its activity.

The common vertical structure of executive power means first and foremost the government, because under the existing statute the chairman of the government submits to the president nominations for the post of head of an administration or submits the question of his replacement. The president is not head of the executive but stands above it, ensuring contacts and interaction between executive structures and imparting a strategic thrust to their activity in the form of messages, edicts, and other organizational measures. The president has several areas where he also backs up the functioning of the common vertical structure of executive power.

One link in the vertical structure is the Union of Governors of Russia, which is headed by Anatoliy Tyazhlov, governor of Moscow Oblast. There are eight regional leaders on the union's board: They are presidents or coordinators of interregional economic associations. Grouped around them are a number of governors who oversee the common economic program at macroregional level. The president meets virtually every month with one or other group from the Union of Governors and holds a conceptual discussion on the strengthening of the state system and the formation of regional policy and discusses draft edicts in preparation which directly affect a region's interests and require major organizational work.

These meetings are mutually beneficial. The president refines his position and tries out his own ideas, while the regional leaders learn the president's position from the president himself. Such meetings enable the president to gauge the appointed governors' level of competence, professionalism, and capacity for state thinking. Sometimes the meetings prompt the president to visit a region and hold individual meetings with its leaders to discuss specific programs. The opposite also happens — these meetings justify asking whether a given governor is suited to his post.

For example, last year's visits to Krasnoyarsk Kray and Amur Oblast resulted from the fact that their governors convinced the president that the processes taking place in those regions not only affect the interests of the components but also have statewide significance.

The visit to Pskov Oblast was directly connected with border problems. This was to do not just with defining the border itself but also with providing conditions for the people who had come from the Baltic region to live in the oblast and with attempts to change the status of a number of the oblast's rayons.

During the president's visits to the regions the sides conduct a search for strategic areas of development. As a rule, they approach the question from two angles. First, the need to identify a region's reserves which would enable it to abandon subsidies and become self-sufficient, plan development programs, and, most important, assess the level of activeness of the component's administration when it comes to implementing them.

Second, it is necessary to seek out potential for innovation, identify it, and give it prompt support at a time when the financial situation in the state is extremely complex. Such potential could come from innovative technologies and departures in economic development which not only resolve tasks within regions but also affect Russia as a whole.

There are a great many proposals on future visits, but the president usually picks them himself. In the next few months we are preparing visits to a number of regions along the Volga and in the Far East.

Our administration is closely observing and taking part in the process of contact and cooperation between the representative and executive organs of power in the Federation components. It is no secret that in recent years the "rejection bug" has not only affected the federal structures but has also led to a clash between the two branches of power in the regions. As a rule differences of opinion have persisted in those regions where the leaders of oblast and kray soviets remained in power. The most characteristic example is provided by Kemerovo Oblast, where the representative organ of power headed by Aman Tuleyev, or, to be more accurate, Tuleyev himself and some of the deputies in the legislative assembly, adopted a confrontational and intransigent stance toward the oblast administration.

A similar confrontation is to be seen in Altay Kray and Amur Oblast. Until recently it characterized Tambov Oblast, but after the replacement of the head of the administration there relations between the branches of power became more constructive. But in Kaluga, Rostov, and Novosibirsk Oblasts, where the legislative assemblies are headed by former soviet leaders, relations among leaders are constructive and peaceful in character.

The elections of heads of administration have become a particularly contentious issue. The president's edict of 3 October 1994 "On Measures To Strengthen the Common System of the Executive in the Russian Federation" confers on the president the right to allow elections of the head of the executive prior to the publication of the law. This does not mean that the president is opposed to an elective vertical structure of

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executive power. It is simply that such an act must be preceded by a number of political and economic steps.

First, it is necessary to adopt the law on the basic principles of the organization of state power in the Federation components. The draft law has been given two readings in the State Duma. Essentially it does not create a stable executive vertical structure and erodes the principle of the separation of powers and in addition thoroughly complicates their relations with the federal center.

Second, we want the vertical power structure in the regions to reflect power at the federal center, where everything has already been duly defined. The draft law, on the other hand, seems to recreate the representative vertical and endows it with functions enjoyed by the old soviets, despite the fact that the Russian Constitution does not make provision for a single representative vertical structure. There are two levels of power: the federal level, embodied by the Federal Assembly, and the representative organ within the component. Furthermore, they are both independent. After that there is local self-government, which possesses the functions delegated to it by the state or vested in it by law.

The president has received several messages from regions which would like to hold elections of heads of administrations. There were repeated requests from Sverdlovsk Oblast. After weighing up all the pros and cons, the president ultimately allowed elections to be held there. Mainly because the economic and social situation in the oblast is fairly stable. In addition, a legal base has been prepared there, such norms were also written into its charter in accordance with the Constitution and confirmed by the conciliation commission, and a ruling on the law on elections was obtained at the federal center. Thus painstaking work was carried out. This does not mean that other components can automatically copy those documents and demand immediate elections, however.

From the State Duma you constantly hear voices saying that the heads of administrations must be elected, that the representative organs are legitimate and the executive organs are appointed. There are at least two opposing arguments on that score.

Out of the 88 leaders of the Federation components at present 68 were elected as senators. By electing them to the Federation Council the voters confirmed their legitimacy, so to speak. Second, the powers of virtually all the oblast and kray legislative assemblies elected for the 2-year transitional period expire in March 1996. Their powers cannot be extended automatically, and it is also inexpedient to hold referendums in the components instead of elections.

Our approach is this. The present system of mutual relations among the president, the government, and the administration heads must be retained until the president's mandate expires. Otherwise we will not achieve stability. Thus it is important to preserve until the presidential elections a single vertical executive structure of appointed administration heads who have confirmed their legitimacy.

Now a few words about the president's official representatives in the regions. Their role and functions have changed since August 1991, when this institution was set up. Generally speaking, there is nothing unusual about this institution and the representatives cannot be viewed as political commissars or fiscal officials of the federal center. Incidentally, a similar arrangement exists in many states with a federal system. In France, for example, the institution of prefects dates back to Napoleonic times.

The president's official representative stands at the junction between federal and regional interests and coordinates the activity of territorial federal organs and the local organs of power. In the period when society's political structure and a civil society are being formed they play an essential role in providing political support for the reforms and guarantees of the stability of the sociopolitical situation.

Economic Issues

U.S. Dollar Replacement, Forgery Impact Predicted

954E1110A Moscow TRUD in Russian 16 Jun 95 pp 1, 9

[Article by Vitaliy Golobachev, TRUD political columnist: "Forget the Word 'Bucks'"]

[FBIS Translated Text] Millions of Russians have converted their scant savings into dollars and put them away for a "rainy day." Now it seems that rainy day will arrive 1 January, because that is the day that all their savings may turn into ashes.

I want to warn our citizens about new troubles that await them. I am afraid that 1996 will greet many people not with joy, but with yet another shocking blow—and what a blow! Once again, a large segment of the populace may be deprived of the last of its savings, funds that were converted into "powerful" dollars and seemingly reliably protected from any unexpected economic turn of events.

Some 70-80 million people in the country purchased the "greenbacks," according to Central Bank experts, trusting neither their own country's currency nor the

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state itself—from which the ordinary citizen has grown accustomed to expecting nothing good.

Denying themselves everything, many old men and women accumulated some $300-500 for their burial expenses or for a "rainy day." Well, that day will arrive unexpectedly and quickly, on 1 January.

But what could threaten the American dollar? The answer comes as something of a surprise—the replacement of old banknotes with new ones. This operation, which is in no way burdensome for the Americans (banks will simply remove the old money gradually from circulation), may constitute an ordeal for Russian citizens, in light of the particular circumstances in our country.

Super-Forgeries Undetected by Verification Equipment

The United States made the decision to "softly" replace its monetary denominations because the flow of counterfeit dollars in the world has assumed threatening proportions. No one knows precisely how much counterfeit U.S. currency is floating around today, but according to estimates, the volume of forged notes has reached astronomical proportions, in the tens of billions of dollars. Some American experts assert that one out of every six banknotes is fake. Modern technology enables counterfeiters to produce dollars so skillfully that in a number of instances it is virtually impossible to distinguish the forgeries from authentic bills. Even the innovation that has been used since 1990—insertion of a vertical stripe with print visible in the light—has not solved the problem. "Craftsmen" have been able to master this as well. Further, it not much of a problem to copy notes of earlier issue if you have a color laser printer.

At a laboratory of Russia's Central Bank, secured behind a thick, two-tonne vault entryway, expert Vladimir Lyutov showed me some counterfeit $100 bills. They passed through the currency detector with no problem and outwardly seemed no different from ordinary "bucks." Nor did they shine in ultraviolet light, as the usual counterfeit bills do. The forgeries were printed on almost the same paper and had almost the same magnetic markings as genuine bills. A $100 bill of this variety passes through a currency exchange facility without arousing any suspicion.

Many similar super-forgeries are detected in this laboratory, where thorough and complex studies are conducted, including the use of chemical reagents and spectral analysis. Fake dollars exist, however, that cannot be detected even by the experts at the Central Bank, outfitted with the most sophisticated modern equipment.

Only $100 bills are counterfeited using such high-technology. Notes of any denomination can turn out to be forgeries, of course (which they demonstrated to me at the Central Bank), but the super-forgeries are produced exclusively in the $100 bill. These are manufactured at clandestine printing facilities using specialized equipment—virtually an industrial process. Underground "series" production is expensive (about $85 per bill). This is why it is just not profitable to produce $10, $20, or even $50 notes on this level.

There are suspicions that the industrial production of counterfeit dollars has reached vast proportions at underground printing facilities in certain countries of the Near and Middle East and Southeast Asia. It is possible this is being done even with the approval of the countrys' leaders. Without solid proof, however, we cannot name these countries as yet. Counterfeit dollars also come out of certain European states—Russia's neighbors—and, until recently, out of Chechnya.

The laboratory has a tremendously large book—which, incidentally, is in the possession of all the world's banks as well. Approximately half of the book is devoted to the numbers of forged dollar notes detected at various times and in various countries—infinite columns of numbers and hundreds of thousands of figures! The forgeries circulate throughout the world, but are concentrated in Russia, Latin America, and Southeast Asia.

Currency Exchange Operations Out of One's Own Kitchen

The Ministry of Internal Affairs conducts the search for counterfeiters and their "production output," while state organizations and commercial structures turn to the Central Bank in special instances or with the most complicated cases. There are quite a number of such instances as well. Suspicious notes come into the laboratory just about every other day. Last year alone, Central Bank employees determined 1,500 bills to be counterfeit. Most of these (93 percent) were $100 bills. Homemade $10 and $20 dollar bills, not manufactured skillfully as a rule, are usually "cut off" right at the store or other commercial structure and rarely find their way to the Central Bank.

When an employee of a currency exchange facility or a cashier at a store dealing in currency discovers that a customer has handed him a false bill, he is obligated (true, this is not always done) to detain the customer using some plausible pretext (or with the help of local security) and call the police. An official report is then drawn up and a case is initiated. Investigators determine where (at what currency exchange facility, stores, market, acquaintances, etc.) the individual in question could have obtained the forgery and whether or not he is himself a "marketer" in forged dollars.

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Then there begins the painstaking process of untangling complex webs. It is primarily illegal currency exchange points that are inspected.

As of 1 April of this year, there were 7,897 official (that is, registered) currency exchange facilities operating in the country. Their number increases slowly, as some begin business and others are shut down. As a result of various violations and failure to conform to regulations, 1,884 registered facilities were shut down last year—and another 1,248 in the first quarter of 1995 (the rate of closures is increasing). In addition to the official facilities, there exist many stations that are unregistered and illegal, facilities that appear and disappear with astonishing rapidity. On Moscow's Kutuzov Prospekt, for example, one resident whose apartment is on the first floor simply "knocked" a little window through the stone of the building, opening his kitchen to the street, and hung outside the sign "Currency Exchange." His business developed successfully until such time as a Central Bank official who also resided on Kutuzov Prospekt accidentally discovered the window during a Sunday stroll.

Most of the currency exchange facilities are in Moscow—about 2,000 registered points and **over 6,000 illegal ones.** One can only wonder why such indifference is shown with regard to them by the Moscow police, whose obligation it is to suppress this illegal, uncontrolled business—which, incidentally, is quite perilous for the purses of tens of thousands of city residents and guests of the capital (God only knows whether you are getting genuine or counterfeit bills at such an exchange facility). It is said there exists a firm fixed rate for "buying off" the police, but I find it hard to believe that every member of this tremendous army of people in uniform is taking bribes.... Whatever the case, in a letter to Minister of Internal Affairs V. Yerin dated 12 January, acting Central Bank Chairman T. Paramonova emphasized the need for increased control on the part of police and increased suppression of illegal currency transactions.

In the meantime, the inspection of a "Rafik" [Riga Bus Works vehicle] recently cruising the capital and being used as a mobile currency exchange facility (operating allegedly as a branch of a well-known bank) uncovered forged $100 bills, I was informed by Central Bank personnel. Today such mobile currency exchange facilities are prohibited in Moscow.

But even at a registered currency exchange facility you can be sold well-produced counterfeit dollars that will pass through a verification machine. In fact, one Central Bank employee I spoke with not long ago became a regular victim, when the dollars he had purchased turned out to be very well-produced forgeries. The most astonishing thing was that these were not $100 bills, not even $20's, but five $1 (!) bills. Usually it is amateurs who are engaged in such petty business, and the quality of their work is not very great. However, these fake $1 bills obtained by the Central Bank employee had magnetic markings and passed through a currency detector.

From American Safes—To Sheremetyevo Airport

[Golobachev] But who is supplying Moscow with false banknotes? Could it be the commercial banks that bring tremendous quantities of currency into the country?

"No," was the confident reply to my question from **Vladimir Smirnov,** deputy director of the Main Administration for Currency Regulation and Currency Control of Russia's Central Bank. "Commercial banks possessing a general or expanded license bring in genuine currency, for they obtain their dollars from reliable American banks (Deutsche marks from reliable German banks, yen from reliable Japanese banks...). This process is strictly controlled by the Central Bank. Each commercial bank provides information as to how much currency has crossed the border (this is confirmed by the Customs Committee) and how much is in cash deposit boxes, and submits appropriate documentation, including documents from American banks."

[Golobachev] But how is the currency delivered from the United States—by the commercial banks themselves?

"The Americans accompany this special cargo to Sheremetyevo Airport," Smirnov explains. "Our own firms take it from the airport in special armored vehicles under intense security. The serial numbers of the bills sent are registered in the United States and in Russia."

[Golobachev] How many Russian banks are engaged in transporting currency?

[Smirnov] About 500 banks have this right, but in actuality the lion's share of foreign currencies are delivered by just 12-15 major banks. (I would note that not all institutions are able to handle this extremely expensive operation). Almost one-fourth of the total volume of ready-cash currency is brought into Russia by Tokobank.

[Golobachev] Do you absolutely rule out the prospect that the mafia could arrange things with some bank or conspire surreptitiously to bring counterfeit dollars into Russia in various ways?

[Smirnov] This cannot be ruled out, of course, but the counterfeiters' chances of success here are extremely

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small. The flow of counterfeit bills proceeds mainly through illegal channels—across semi-official borders with former CIS countries and in other ways. Counterfeit dollars are disposed of little by little—when goods are purchased in stores and at the market, through contact with individuals near exchange facilities ("I am hurrying to catch a train, so I want to exchange my 'bucks' as quickly as possible"), at travel bureaus, etc.

But how much money do Russians have in their possession right now in dollars? The Central Bank and Ministry of Economics gave me different answers to this question. It is not all that difficult to make an estimate, however. Last year, $21.425 billion was brought into Russia officially through banks, while $417 million was taken out. In other words, we are talking about a net influx of $21 billion. In all, over a period of a year and a half (since June 1993), $33 billion has come into the country. About $10 billion was taken out by "shuttlers" and used to purchase goods abroad, which they then brought into Russia. Thus, Russians have **in their possession about $15-20 billion** (which is close to estimates by the Ministry of Economics)—and, according to certain assessments, about $5 billion in counterfeit bills.

Such is the scale of the "dollarization" of our economy. The volume of American cash currency expressed in terms of our money already amounts to twice (!) the amount of ruble-cash on hand. According to assessments of the Americans themselves, one-fourth of all the dollars in circulation outside the United States are concentrated in Russia (the remaining three-fourths being attributable to 200 other countries). But it would seem that the dollar will not have had a long reign in our country.

A Most Sensitive U.S. State Secret

I tried to ascertain from five Muscovites how, in their opinion, the replacement of American money would be effected. A woman on pension (the entirety of whose "wealth" amounts to $100) had heard nothing about any exchange. An engineer from the Space Flight Direction Center had never possessed any currency, and my question did not interest him. A janitor at the ministry stated obscurely: "I do not think there will be any problems with this." A worker and a literary man both expressed approximately the same view: "America is a great country. It will not permit the 'degradation' of the dollar. No doubt it will arrange things so that the 'greenbacks' can be exchanged wherever one would like—in Moscow or Tver, without any panic or hullabaloo. Look, these are not our authorities—they do not plunder people."

It is more complicated than that, however. The fact is that a check "of absolute authenticity," as the experts say, of the American bills can only be made in the United States. We recall that there are super-counterfeit dollars that even the most sophisticated control equipment is not capable of detecting. In the 1950's and 1960's, even specialists of the U.S. Federal Reserve system could not provide an immediate firm response in especially complex instances. Today we face a different situation. Few people are aware that in addition to the regular protective measures, American money has certain features that can be determined only by a computer system located in the United States. The secret features of authentic American dollars compose one of the most sensitive secrets of the United States. Just a few individuals know it. And their names are held in strictest secrecy as well. Some of them do not even know one another.

Meanwhile, the verification procedure itself is outwardly fairly simple—banknotes are entered into this unique system and upon exit the readout says "yes" or "no." This is why all dollars to be exchanged can be verified only in the United States.

Persona Non Grata

Now that we are aware of the situation, let us imagine how the exchange of old bills for new ones will take place. Early in the morning, Grandma Marya Mikhaylovna gets in a line and towards evening hands over her $400 to some commercial bank. There, under some plausible pretext (there are no new bills, the specialist is not here), they refuse to exchange her money immediately and say: "If you would like, leave the money with us—we will send your dollars to America." Then they draw up the necessary paperwork and send the bills to the United States in a batch together with other $100 bills. A few months later (or more likely—half a year), packages containing new money are returned from overseas, but instead of the $100 million, let us say, that was sent there, only $60 million arrives ($40 million turned out to be counterfeit). The bank announces to citizens who turned in money that a certain amount of bills turned out to be forgeries. But without any doubt, certain banks will try to catch a large fish in this murky water, to "skim" a profit instead of incurring losses—at the expense of ordinary Russians. It would be one thing if Marya Mikhaylovna received, say, $100 in place of the $400 she turned in. But she might well be informed that all her bills turned out to be counterfeit.... They show her some paper, in English, and the old lady is unable to decipher anything.

There will also be entirely legitimate deductions. The banks have to charge significant commissions for safe-

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keeping, insuring, and transporting the money that was turned in. Naturally, all this comes out of Russian purses.

We have not yet come to the worst part, however. Imagine a bank that is incurring losses sending out for exchange dollars purchased from the populace. What does the bank management do? Correct—they refuse to exchange money. Moreover, banks will discontinue all purchasing of $100 bills from the populace, citing the fact that their equipment does not permit a determination of "absolute authenticity" of the bills. Thus, American money, even genuine banknotes, will become "persona non grata." It will actually be withdrawn from circulation in Russia and turned into colored candy wrapping of no use to anyone.

The first alarming confirmation of just such a worst turn of events comes, strange as it may seem, from Germany. Many German banks, as Russian tourists and official-business travelers will testify, are no longer accepting $100 bills for conversion to marks, citing the fact that they are unable to determine their authenticity. "Leave your hundreds with us," they say at these banks, "and we will send them to the United States. When we receive a response, we will issue you marks...."

In this manner, there is a very great likelihood that 70 million Russians will once again find themselves "robbed." One might raise the objection that changing dollars is not mandatory—after all, the present bills will be valid in the United States for another hundred years. But the States are far away, and indeed, our people did not purchase dollars to travel to America, but with the aim of somehow protecting their meager savings from inflation (prices in Russia have gone up 330,000 percent (!) in the past five years). How are Muscovite Petrov and Yekaterinburger Ivanov going to feel when the bank tells them: "I am sorry, but we cannot exchange your dollars into rubles..."? I am afraid all of this will not have a happy ending. The populace will not tolerate being robbed a third time....

Sell Dollars or Buy Marks?

The U.S. Government has decided to exchange its money in accordance with a special schedule. In 1996, they will replace $100 bills, in 1997—$50 bills, in 1998—$20 bills, and then—all of the rest.

We can expect that on the threshold of this exchange, counterfeiters will attempt to "get rid of" large batches of forged banknotes in their possession, primarily $100 bills. People in the know are recommending that our citizens be especially careful today, that they refrain from buying dollars from individuals or at currency exchange facilities that are not officially registered.

How else can Russians be advised so as to somehow soften the impending blow? Here is the opinion of experts to whom I posed this question. First of all, they can place their dollars in a currency account in one or several of the most reliable and solid commercial banks. Then the coming replacement will not cause the client any particular inconvenience (I myself will add: if, that is, the bank does not collapse—a significant stipulation, I believe). Second, they can sell their dollars now, and put the rubles into an account, for example, at Sberbank [Savings Bank] (which, alas, offers no protection today from inflation, but at least some amount will accrue interest all the same). Third, they can buy another currency—German marks, for example, which are rather difficult to counterfeit (but quite difficult to find, for they compose only 1.09 percent of the total currency volume coming into Russia, while dollars compose 98.75 percent).

In any case, people can probably expect to be agitated and jittery, waiting in lines at currency exchange facilities and banks. Life somehow does not go on in our country without stress and trauma. This stress and panic will come precisely **at the wrong time,** in the next 12 months—before the parliamentary and presidential elections. Thus, the government and Central Bank cannot, must not, stand on the sidelines in this situation, citing the fact that the dollar is not Russia's national currency and that problems with its exchange are the business of those who "unpatriotically" bought American money. Such a position would be an expensive mistake. Not just because Russians purchased the currency precisely because of gross miscalculations on the part of the authorities, thousandfold inflation, and inept policy with respect to attracting the savings of the populace. That is not even the point. The authorities are always obliged in principle to protect the interests of citizens, especially in today's very difficult times. Indeed, social sparks are quite dangerous with so much combustible material in the air.

One would like to hope all the same that the routine operation of exchanging American money will not turn into one more tragedy in the lives of Russian citizens, that the government will be able to join Americans in finding civilized alternatives and, most importantly, that our banks will buy up the current dollars from the populace, both in 1996 and in the year 2000 (public guarantees of this would calm people's fears at least to some extent).

When new hundred-mark banknotes were issued in Germany, each citizen of the country received in his mailbox—imagine, each person!—a booklet not only vividly illustrating photos of the new denomination, but providing a detailed description of all the ways the new

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money was protected from counterfeiting as well. It would be nice if our authority showed such concern for its citizens, being mindful that it is not they who exist for it, but it—for them.

Survey Finds Signs of Economic Upswing by Autumn

MM2606155395 Moscow ROSSIYSKAYA GAZETA Weekend Edition in Russian 24 Jun 95 p 6

[Article by Albert Valentinov: "When Directors Are Optimists"]

[FBIS Translated Text] The Russian Federation Government Center for the Economic Situation has carried out a selective survey into the business activities of Russian industrial enterprises. The survey revealed how leaders saw the results of their enterprises' economic activity in the first quarter, and also how they assessed the situation for the second quarter of 1995.

Our economic managers, made wise by socialist experience, are disinclined to overstate their achievements. Just in case, as they say.... Nonetheless, the results of this poll reveal a picture that is far more optimistic than it has been over the past few months. In the first quarter, the business activity of industrial enterprises had fallen notably compared with the previous period , which had quite a negative impact on the economic situation — by the middle of the year, an increase in activity is expected.

Although half of the leaders polled are not planning any changes, 26 percent are nonetheless intending to increase their output, while only 17 percent are planning to reduce their business activity. So a certain stabilization in the overall situation in industry is expected by the middle of the year. At any rate, over half of the leaders believe that their enterprises' economic position will not get any worse, and one in five is even counting on an improvement.

Despite the chronic shortage of funds, industrial enterprises have hardly increased the level of their borrowing for the second year running — they are not falling into servitude. In the first quarter, 41 percent of enterprises managed to maintain, and 10 percent even of them increased the level of their own accumulations. By the middle of the year, it is expected that the share accounted for by the former group will be nearing half.

Energy sources — the nightmare of years past — have become less threatening. Around half of the enterprises surveyed have maintained their use of electricity and thermal power at fourth-quarter 1994-levels. But, on the whole, consumption of energy sources fell in the first quarter of 1995. This is due not so much to the production slump (as was the case in years gone by) as to the energy-saving measures implemented by 82 percent of enterprises. They have learned not to waste power. By the middle of the year, according to specialists, power consumption will be falling at approximately the same rate.

Within the framework of the overall trend toward the stabilization of industrial production seen since autumn 1994, there was a certain decline in the production of basic output in the first quarter of this year. According to the directors' assessments, equilibrium will be reestablished by the middle of the year. Thus, a quarter of the survey respondents are forecasting an increase in their production volumes, the same number are predicting a decline, and 40 percent are predicting that production volumes at their enterprises will remain the way they are. Ten percent of the directors, however, were unable to assess the situation. We would like to remind them of an old truth — leading means being able to look ahead.

About half of all ferrous metallurgical and chemical enterprises, and approximately a third of nonferrous metallurgy and construction materials industry enterprises are planning to increase their business activity. But this is true of only one in 10 enterprises in the fuel, milling, and hulling sectors. These sectors, and the forestry and light industry sectors, are expecting a further deterioration in the economic situation.

This determines our unemployment performance. In the first quarter, the number of people employed at industrial enterprises fell yet again, but a certain stabilization is expected by the middle of the year. Although only 16 percent of enterprises are intending to increase their work force, the number of employers cutting back is falling sharply — from 46 percent of enterprises in the first quarter to 30 percent by the middle of the year. This is the most reliable sign of stabilization and the beginning of an upswing.

Article Sees Threat to Financial Stabilization

MM2606154695 Moscow IZVESTIYA (Financial Section) in Russian 20 Jun 95 pp i, ii

[Article by Yevgeniy Vasilchuk: "Heating Up of the Economy Spells Doom for Attempted Financial Stabilization"]

[FBIS Translated Text] The monetary-credit and budget policy of the first quarter of 1995 was tough. In the second quarter, however, the Russian economy began to heat up rather unexpectedly. Actually, the situation is not unique. It reproduces almost exactly the events of 1994. The only difference is that at that time, the fight against inflation by "nonmonetary" methods was

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flying from the flagpole of government policy. There are rumors going around international financial circles at the moment about the Central Bank's monetarism. But the real economy prefers to live by its own laws, ignoring the authorities' inconstancy in the sphere of the theory and practice of macroeconomic regulation.

The latest bout of monetary austerity was in January 1995, when the M2 money supply was cut 12 percent by the Central Bank. Since then, every conceivable time lag has expired, but the economy never felt the weight of the demand restrictions.

According to Russian State Committee for Statistics data, the country's GDP in May was 114 trillion rubles [R], 2 percent above the April level in comparable prices. The volume of industrial output rose by 1 percent.

These might have been seen as signs of stabilization, but the dynamics of other macroeconomic indicators are by no means as favorable.

First and foremost are prices. According to preliminary figures, inflation will fall at best to 7 percent in June. Despite the arrival of summer, food prices are rising aggressively. The food market nervously awaits the consequences expected from the 1995 drought and also the results of the government's fiscal muscle-flexing on food imports.

The forecasts for the harvest of the main agricultural crops are over three times more pessimistic than at the beginning of the agricultural year. Under these conditions, the increase in import duties and the introduction of value-added tax on imported food are extremely inopportune. The fall in the dollar rate provides importers with massive "gifts." But one should not count on their altruism: According to official data, the underlying high level of inflation will enable trade middlemen to raise prices by 30-50 percent by the end of the summer. In the regions there have again been troublesome delays in supplies of the main food commodities — sugar, groats, salt, butter — to the retail trade network, as in fall-winter 1994.

The inflationary expectations of the beginning of the year remain somewhat suppressed. The speed of the money supply in the second quarter is somewhat down on the first quarter of 1995. But the May dynamics of the physical volume of retail sales and nominal pay — 109 percent and 111 percent respectively, in relation to April, with inflation at 107.9 percent — indicate a relaxation of demand restrictions, more than in the corresponding period last year.

This is not surprising. The implementation of the tough monetary program for the second quarter has apparently already been killed once and for all by the Central Bank. This is despite the emergency measures in May to turn a large part of the free ruble and foreign currency assets into reserves. The predicted growth in the money supply in the entire second quarter was 1-3 percent. In reality, the average monthly rate of growth of the money supply is 9-10 percent. In April alone, according to Central Bank data, R6.8 trillion in cash were plowed into the economy. The December 1994 record issue of R4.5 trillion pales in comparison with this. Such achievements are bound to have consequences for the economy in the summer.

It might be said that the Central Bank's rate policy has also been finally killed off. The Central Bank did not coordinate the April change in rate policy with the monetary program benchmark adopted for the quarter. In May the Central Bank missed an auspicious moment to provisionally fix the ruble rate, which would have been in the interests of exports, importers, and simply of residents holding hard currency assets. This might have been brought about by means of a brief series of powerful interventions on the currency exchange. Frightened of the IMF, the Central Bank will now have to deal with the furious elements of the entire Russian currency market, which, in a fit of frantic speculation, is ready to drive the dollar down to a short-term equilibrium of R3,000-3,500. The "trimming" of R60-70 off the dollar each trading session at the Moscow Interbank Currency Exchange cannot be explained by any fundamental factors — try as the Central Bank and government might. The only consolation is the fact that the Central Bank's retention of control over the organized segment of the currency market will enable it to keep the dollar at the previous level of R4,000-4,200, although this will be costly as well. The saddest thing is that the inevitable revival of inflationary expectations in two or three months' time is bound to push the dollar up. When it becomes clear that the entire exercise of bringing the currency market into a state of short-term equilibrium is pointless and pernicious, the question will arise of whether the leaders of key economic departments and presidential staff analysts are up to their jobs.

If the dollar reaches a short-term equilibrium level of R3,500 in the next two to three weeks, the Russian economy and budget are in danger of stalling in the third quarter. The "collapse" of the dollar, whether rapid or gradual, will create a lot of problems for exports and for the government when it comes to providing ruble backing for foreign loans.

The emergency replacement of dollars with rubles in domestic circulation increases the inflationary potential of the dynamic economy many times over. The ruble

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is far less attractive for investment purposes than the dollar. The level of state and private expenditure in the economy remains high. The inflation "plan" for the whole of 1995 has already been overfulfilled by nearly 100 percent in the first half of the year. The federal budget deficit will at least double in the second half of the year. Supply is continuing to grow and rates are continuing to fall on the financial markets. The negative interest rates in real terms in the first half of June have boosted credit expansion. The "de-dollarization" of savings is making the most unfavorable adjustments to the actual savings process and to subsequent investments, without any marked positive impact on inflation. There is really no other means of saving in Russia as reliable as the dollar, and none is going to emerge in the next couple of years. A return to the dollar is inevitable, as is the new bout of spiraling prices associated with it.

The rate of growth of the nominal money supply February-June 1995 remained at the level of 8-9 percent per month. The expansion of the real (taking into account speed of circulation) money supply is equally dynamic. Its structural parameters have deteriorated; in particular, the ratio of the money supply to the monetary base declined from 1.6-1.7 in 1994 to 1.5-1.6 in mid-1995. If the average monthly rate of inflation again passes the 10-percent mark by autumn, it will be the inevitable result of the authorities' economic policy. [passage on tabular material indistinct]

Wage Arrears Continue To Increase

MM2606160095 Moscow ROSSIYSKAYA GAZETA Weekend Edition in Russian 24 Jun 95 p 6

[Article by Albert Valentinov: "Waiting for Wages"]

[FBIS Translated Text] You would think that delayed wages would be an exceptional phenomenon — like a disaster signal on a sinking ship. Indeed, how can you feed a family without money, and when prices are constantly rising into the bargain? But we have grown used to it. To such an extent that the State Committee for Statistics [Goskomstat] has even introduced a special line in its reports — ordinary wage delays, and delays of more than two months.

The overall total of nonpayments for the country is impressive. As of 1 June, to all intents and purposes in the course of May, they had increased by 10 percent over April — or by 529 billion rubles [R], to stand at R6.36 trillion. Apart from transportation, this has been happening in all national economic sectors. In transportation, the volume of deferred debt has shrunk by 5 percent or R20.4 billion.

There were 36,000 debtor enterprises in May — some 600 more than in April. The biggest backlogs were owed to agricultural enterprise workers. There are 19,900 such enterprises, and they owed R1.383 trillion. This was more than April, when the number of debtor enterprises was just as high, but debts stood at R1.309 trillion.

The number of industrial debtor enterprises stood at 8,000 in May, as opposed to 7,600 in April. The figures for construction are 6,000, as opposed to 5,900. Thus, there is universal growth in wage backlogs and the continual decline in the population's buying power.

As for wages delayed more than two months, these stood at R1,853 trillion in May for all national economic sectors — up 6 percent in April. Breaking this down sector by sector produces a paradoxical picture. In agriculture, where total debts are highest, two-month debts increased by just 0.5 percent. On the other hand, the figure was up 9 percent in the relatively prosperous transportation sector. Yet there was hardly any increase in the number of debtor enterprises in transportation. This means that those having to wait for their wages are having to wait a long time.

The biggest increase in debts of over two months was in industry — up 12 percent. The figure was far less in construction — 4 percent. The number of debtor enterprises increased in power generation, the oil and metallurgical industries, machine building, metalworking, and the forestry, wood processing, and pulp and paper sectors, and light industry. The figure fell in the gas and coal industries and in the production of construction materials.

On average, basic sectors of industry failed to pay between R168,000 and R414,000 per worker — which amounts to 40-60 percent of average monthly earnings. The highest level of debts is recorded in Tyumen, Kemerovo, Chelyabinsk, and Irkutsk Oblasts, Yakutia, Bashkortostan, Tatarstan, and Krasnoyarsk Kray. They account for 35 percent of total deferred debt. In Tuva, the Altay, Taymyr, Koryak, and Aginskiy Buryat Autonomous Okrugs and Kaliningrad Oblast more than half of all debts have not been paid off for more than two months. Where is the money that has been honestly earned by workers in those regions? Perhaps it is being used in commerce to make a profit for someone?

In the light of all the above, one question arises. Figures on the stabilization of production and the beginning of an industrial upturn were recently published. Thus, production growth in ferrous metallurgy and the petrochemical sector was put at 10 percent. Nonetheless, these sectors are recording steady growth in wage backlogs. How is this explained?

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We put that question to the Goskomstat, whose figures were cited above, and we were told that they did not know the answer. Such information is not included in their tables. They just record facts.

So we got no answer to this question. Just as we received no answer to another question — how do people who have received no wages for more than two months manage to survive?

Livshits Interviewed on Yeltsin's Budget Message

MM2606142695 Moscow ROSSIYSKIYE VESTI in Russian 24 Jun 95 p 3

[Interview with Aleksandr Livshits, Russian president's assistant for economic questions, by Lyudmila Biryukova under the "Official" rubric; place and date not given: "Budget-96: Getting a Head Start" — first paragraph is introduction]

[FBIS Translated Text] On Thursday, Boris Yeltsin took part in a Russian Federation Government session. There the president made public his message on drawing up the 1996 budget. The country's leading economists, including those who are members of opposition blocs, took part in preparing this document. The ROSSIYSKIYE VESTI editorial office asked Aleksandr Livshits, the president's assistant for economic questions, to answer a number of questions connected with the content of this document, which is so important for the country's life.

[Biryukova] This is the first time the president has delivered a budget message. What prompted him to take this step — a desire to follow the example of other countries or internal factors?

[Livshits] First of all, I want to clarify the title of the document read out by the president yesterday at the enlarged session of the cabinet of ministers, it is this: "The President's Message to the Government Regarding Budget Policy in 1996." If we compare this speech with the practice that prevails in the United States, we will see that over there the budget message is written by the President, who is at the same time the head of the executive branch.

[Biryukova] In other words, Yeltsin and Chernomyrdin rolled into one?

[Livshits] Yes. Under our Constitution, the president determines the basic guidelines for domestic and foreign policy. The point is, however, that a kind of gap had arisen between the annual message to the Federal Assembly and the everyday activity of the head of state, which finds expression in the form of edicts, directives, and so forth. Hence the need for a message to the government regarding the ideology for drawing up the budget. This is a kind of technical assignment, a kind of mechanism whereby the president can exercise his constitutional powers.

The president usually delivers the message to the Federal Assembly in February, after the basic parameters of the current year's budget have been formulated. He looks as though he is delivering his message in the aftermath of a fait accompli, so to speak. Hence, there is the need for a forward-looking budget message to the government. But there are also other, more practical, factors.

[Biryukova] Is it possible to speak of continuity between the 1996 budget and the 1995 budget, and of what does this continuity consist?

[Livshits] Yes, it is possible to speak of continuity. Primarily, the strategic line of budget policy of finally eradicating inflation, reducing the budget deficit, and abandoning the crediting of the budget via emission is continued. Very clearly, this is a basis; without it there is no point in expecting a stable economy.

[Biryukova] Fundamentally, what is new about the blueprint for the 1996 budget?

[Livshits] The new element lies in the reduction of the tax burden and in the clear priorities of the expenditure side of the budget. It aims at two goals: social policy and support for investments. The dynamics of the growth in wages, as the president said, must not lag behind the pace of inflation.

[Biryukova] The government has hinted that from 1996, it may stop resorting to foreign loans to cover the budget deficit. What is the president's position on this question?

[Livshits] Indeed, Russia's foreign debt is quite sizable, but it can already be asserted with confidence that our internal financial resources are also quite impressive. It is now entirely possible to substantially reduce the volume of foreign loans. It is assumed that next year the country will borrow considerably less than this year. We could totally abandon loans, but what would be the point? If there are advantageous loans at low interest rates, we should take advantage of them.

[Biryukova] As is well known, the budget is the art of combining the desirable and the possible. Does the message pay attention to the question of reconciling the budget demands of different sectors? Also, what is to be done with lobbyists, who are always dissatisfied with funding levels?

[Livshits] There is a whole series of tasks whose resolution cannot be postponed. At the same time, we are faced with tough restrictions on the budget revenue,

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expenditure, and deficit. Within the framework of these restrictions we must be able to resolve the tasks facing the economy. The precise reconciliation of the sectors' budget demands will probably take place during the drawing up of the budget by the government and during discussion of it by parliament. As for the lobbyists, the message clearly states: Budget discipline must be toughened up substantially. The budget is law, and the president is calling on people to treat it as such. As the message says, in 1996 the federal exchequer and the comptroller's office, whose main task is to monitor the use of budget appropriations, will begin to operate at full capacity. It can be hoped that from next year, state money will at long last stop being siphoned off elsewhere and put in commercial banks at high interest rates, which used to happen constantly.

[Biryukova] What are the social priorities of the 1996 budget contained in the message?

[Livshits] They constitute the linchpin of the document. Many problems have accumulated in the social sphere: unemployment, poverty, the unsatisfactory state of the environment. They cannot be resolved without substantial budget investment. The plan is to increase support for public education, health care, science, and culture. Where will the money for this be found, when money has always been short so far? The president answers this question. We must use reserves for increasing the state's income. There are many such reserves, if we conduct monetary privatization intelligently and use market instruments like guarantees and the trust management of share packages that belong to the state. As the president said, if on any given day the state makes nothing from the use of state property, the day has been wasted.

[Biryukova] The 1995 budget was unable to avoid errors in the sphere of determining income and expenditure. Will the 1996 budget avoid them?

[Livshits] Let us hope so. This is why such early preparation for its adoption has been begun. Russia must enter next year with a budget that has been ratified already.

Bunich Comments on Yeltsin's Budget Message

MM2606124495 Moscow ROSSIYSKAYA GAZETA Weekend Edition in Russian 24 Jun 95 p 2

[Article by Academician Pavel Bunich: "Actions, Not Words, Are the Main Thing. Academician Pavel Bunich on President's Budget Message"]

[FBIS Translated Text] I was very interested to study President Boris Yeltsin's speech from the government session. Many of the ideas voiced were not new — they had repeatedly been proposed; unfortunately, they were never implemented. The fact that they were part of the president's budget message encourages us to hope that they will finally be implemented.

Above all, we cannot draw up a budget looking just one year ahead. We need to look at the future — in other words, to pursue a strategic budget policy. Secondly, it is impermissible for the government to be owing money — either to enterprises or to the population. It also states that the minimum wage and pensions will be indexed — that is, uprated in line with inflation. This will save the population's living standards.

Another idea, also not new, but very important, has been laid down for the coming year — easing the tax burden on producers. The special tax and the tax on excess wage funds will be abolished. This will mean a loss of 9 trillion rubles to the budget. The question of how to offset this loss will immediately arise. I personally think that entrepreneurs themselves will cover the gap through better performance and improved profitability. But the message states that personal income tax will be reviewed. It is a question of increasing taxes on high incomes; this approach too is correct.

But some of the figures mentioned give rise to doubt. Namely, that in the next year, average monthly inflation will fall to 2 percent. I can see no optimistic grounds for this assertion. Monthly inflation is currently 12 percent. At year's end it will be at best 8-10 percent. That is 250 percent over the year as a whole. Will it really fall so fast? We would like to think so, of course.

The message states that the budget deficit will fall to 4 percent of GDP. This can, of course, be achieved — but with a very stringent policy and a calm situation in the country. We should not forget, however, that next year will see presidential elections and the repayment of domestic and foreign debt. By my calculations, one-third of the budget will go on debts alone.

What also drew my attention at this government session — the realistic assessments. The president used the following phrase — the production slump is now slowing. But the premier said that growth is already in place, referring to the May and June results. Who is right? It seems to me that the president's position is more responsible and cautious. One swallow does not make a summer. And two months do not constitute a trend.

There were also some new assessments about the ruble rate of exchange. Hitherto we have heard from both the government and the Central Bank that the ruble is apparently on the rise. In short, there has been a breakthrough. But now the premier says that it is dangerous to get carried away and that this will hit our

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exporters and the country's foreign trade balance as a whole. He also said that such a cavalier attack should not be permitted in the future. He did not say that the policy was dubious in general, but I took what he said as a tacit admission of this. Recognizing your mistakes in time is also important.

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International Affairs

Ukrainian, Mongolian Officials Welcome Cooperation

LD2606133495 Moscow ITAR-TASS in English 1055 GMT 26 Jun 95

[By Mikhail Melnik]

[FBIS Transcribed Text] KIEV, June 26 (ITAR-TASS) — "Ukraine's entry onto the Mongolian market where it hopes to sell its products would help economic stabilisation in Ukraine. For this reason Ukraine is extremely interested in the development of bilateral relations along all lines," Ukrainian parliament chairman Oleksander Moroz told chairman of the Great Hural (Assembly) of Mongolia Natsagiyn Bagabandi during Monday's meeting in Kiev.

The Mongolian official is in Ukraine on a four-day official visit.

According to Moroz, Ukraine and Mongolia have much in common at this phase in their development, particularly in their economic reforms. The two countries have created a solid legal framework enabling them to boost Ukrainian-Mongolian relations.

Natsagiyn Nagabandi, for his part, proposed giving more attention to cooperation in agriculture, particularly in sugar beet growing. He recalled that the experiment begun in Mongolia in 1993 in which Ukrainian specialists helped grow sugar beet in Mongolia is greatly appreciated by Mongolia. Last year, the crop yielded 240-260 centners of sugar beet on each hectare of land.

During the Mongolian official's current visit to Ukraine, the two countries intend to sign a memorandum of cooperation between their parliaments. They will also sign an agreement on legal assistance concerning civil and criminal justice. The Ukrainian and Mongolian governments will also sign an agreement on cooperation in the field of railway transport and on international motor traffic.

Moroz Meets Mongolian Delegation

LD2606195695 Kiev Radio Ukraine World Service in Ukrainian 1600 GMT 26 Jun 95

[FBIS Translated Text] Although Mongolia is not a close neighbor of Ukraine, the development of political and economic relations between the two states have enormous significance. This was stressed during a meeting between the delegation of the Great Hural of Mongolia led by its chairman Natsagiyn Bagabandi and the chairman of the Ukrainian Supreme Council, Oleksandr Moroz, which took place on 26 June. Turning to the guests, Oleksandr Moroz stressed that the visit would undoubtedly have a positive influence on the further development of all-round relations between our countries. There has been a certain pause in the development of Ukrainian-Mongolian cooperation, he noted. Therefore we must now make amends for the time wasted because now we must urgently speed up the development of cooperation, primarily in the economic sphere. Natsagiyn Bagabandi noted that he was happy to have the opportunity to familiarize himself in detail with Ukraine, the life of its people, and the activity of parliament. Touching on Mongolian-Ukrainian relations, Bagabandi described them as being good. During the meeting, certainty was expressed that the official visit to Ukraine by the delegation of the Great Hural of Mongolia would provide new opportunities to the impetus of cooperation between our countries. Natsagiyn Bagabandi invited Oleksandr Moroz to visit Mongolia at a convenient time. The invitation was gratefully accepted.

Kuchma Promises Stronger Ties

LD2606201295 Kiev UT-1 Television Network in Ukrainian 1800 GMT 26 Jun 95

[FBIS Translated Text] A delegation of the Great Hural of Mongolia, led by its chairman Natsagiyn Bagabandi, is in Kiev on an official visit. The delegation met Ukrainian President Leonid Kuchma. Taking into account that there are many common interests in relations between the two countries, Leonid Kuchma promised to promote the development of these relations on the part of the executive authority to the fullest extent. The aim of the visit is the strengthening of friendly relations and cooperation between the people of Mongolia and Ukraine and the development of interparliamentary ties.

Minister, Slovak Counterpart View Cooperation

WS2606140895 Kiev SILSKE ZHYTTYA in Ukrainian 22 Jun 95 pp 1, 4

["Exclusive" interview with Agriculture Minister Yuriy Karasyk and Slovak Agriculture Minister Peter Baco by Oleksandr Yaholnyk; place and date not given: "Ukraine Will Be the First Food-Producing Country in Europe" — first five paragraphs are SILSKE ZHYTTYA introduction]

[FBIS Translated Text] **Ukraine and Slovakia have been successfully cooperating in various economic areas for a long time. Over the last few years, unfortunately, this cooperation has lost its dynamism, and has even declined for a number of objective reasons.**

Last week's two-day official visit to Ukraine by the Slovak prime minister undoubtedly provided a new stimulus for developing mutually beneficial cooperation

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between the two friendly countries, and confirmed that the Slovak Republic still considers Ukraine an important trading partner with great potential, and that it is ready to make uncommon steps in this area.

In the course of the visit, Slovak officials held constructive talks and meetings with Ukrainian President Leonid Kuchma, Prime Minister Yevhen Marchuk, and other state officials. They signed a number of bilateral agreements, which essentially enhanced the treaty-legal basis in relations between the two countries, and opened new possibilities for implementing joint projects, including those in the agricultural and food-processing sectors.

What prospects for the development of cooperation between Ukrainian and Slovak agrarians opened after the talks?

Ukrainian and Slovak Agriculture Ministers Yuriy Karasyk and Peter Baco have granted an exclusive interview on this topic to our newspaper.

[Baco] We, as Slovak agrarians, attach great importance to cooperation with our Ukrainian colleagues. I must confess that we (smiles) are simply afraid of the future Ukraine, which, within a few years, will become the number-one country in Europe, in terms of production of grain and food. We expect that Ukraine's competitiveness will quickly increase, also as regards us. And this will certainly happen! So we want to cooperate with Ukraine now, as well as when it prevails in Europe. We already want to cooperate with Ukraine, and help it resolve its problems more quickly, by investing Slovak capital in the Ukrainian agricultural and food-processing sectors. During the official visit, we managed to make noticeable progress in this direction. We have already drafted documents on developing cooperation in a wide range of areas, in which Ukraine is interested.

That was about prospects. However, we have already taken specific measures for enhancing our agreements. We have agreed with Ukrainian Agriculture Minister Karasyk to hold a meeting of Ukrainian and Slovak business partners this August, who will help us remove barriers from the road to mutually beneficial cooperation. We are currently cooperating freely, and there are no problems that would hamper our cooperation in the future.

Slovak companies, for example, have launched the production of high-precision seeders, and set up joint ventures to produce sugar beet and corn seed. Our experts have compiled a list of goods, in which the two sides are interested. Our country, for example, has well-developed production of containers such as champagne bottles, leather-tanning industry, and production of food and consumer goods.

We are glad that we have concluded a number of constructive agreements in this area. We, along with Mr. Karasyk and his experts, have decided to establish permanent business-like contacts to establish an efficient market for foodstuffs and agricultural machines. Soon, we are expecting in Slovakia a group of Ukrainian agricultural experts to discuss details of this project.

[Karasyk] While commenting on economic agreements signed between Ukraine and Slovakia, Prime Minister Yevhen Marchuk said the following: "As one can notice, a majority of documents are aimed at simplifying ties between the two countries as much as possible, and creating the most conducive conditions for the development of our economic relations." Agricultural issues hold a leading place in these relations.

As for prospects for cooperation with our Slovak colleagues, there are three groups of issues. The first group, legislative, relates to a teamwork, particularly with regard to issues concerning land reform. During a long conversation held at the Ukrainian Agriculture Ministry, we devoted much time namely to these issues. Our Slovak colleagues certainly have an interesting approach to the issue of ensuring efficiency of various forms of ownership and economy. Slovak Minister Baco is a former cooperative farm chairman and economist, who has great experience in administrative work. It was thus very beneficial to talk with him.

Of course, Slovakia cannot be compared to Ukraine. It is not a nation of 52 million, as we are. We, however, have many problems concerning the protection of domestic producers, quotas, prices, taxes, and subsidies.

Slovakia is conducting not liberalization, but weighed, and to a certain degree even stringent, state regulation of the market, meaning that its food market is regulated and organized, as in many other countries. We can also use this experience.

The second group of issues concerns joint ventures. We highly respect the strategic approach of Slovakia, which recognizes Ukraine's capabilities, and wants to cooperate with us in production of certain goods. What is particularly important in this regard? Slovakia does not have enough land. We have excellent chernozem [rich black soil] and diligent people. But Slovakia has high agricultural technologies. Let us look, for example, at sugar beets. So I am asking why should we build another factory, if we can participate in the operations of a Slovak plant, which is not using all of its capacities, and produce sugar beet seed for ourselves, Slovakia, and other countries? Our neighbor also has an excellent factory producing premixes [premiksy], plants manufacturing agricultural machines, and technologies for growing rape and barley suitable in brewing, breeding poultry,

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and producing the aforementioned containers. Our Slovak colleagues understand that our wheat and sugar will be cheaper in the future anyway. So they are establishing cooperation today, to reap real profits tomorrow.

The third group of issues relates to meetings with businessmen to increase the volume of mutually beneficial trade. We can sell champagne, brandy, wine, cattle, and many other goods. However, there is so far no trade balance between us. We imported goods totalling $13 million from Slovakia last year, and exported commodities worth $5 million, meaning that trade between our countries is not yet balanced. We must resolve the issue of payments, and open joint banks. That is to say that we must meet one another half-way. As everyone knows, our two Slavic nations have never been divided by anything. And I am convinced that prospects for our cooperation are very good.

Commander in Bosnia Against Rapid Reaction Force

LD2606184495 Moscow INTERFAX in English 1730 GMT 26 Jun 95

[FBIS Transcribed Text] KIEV, June 26 (INTERFAX-UKRAINE) — Colonel Sergey Mokrinets, commander of the Ukrainian contingent of the U.N. peace-keeping forces in former Yugoslavia, has a negative attitude towards the presence of NATO rapid-reaction forces there.

"The best way is peaceful negotiations, and not the use of force," he told a briefing in Kiev Monday [26 June].

"An adequate answer will be given to any use of force," he said. He reminded of the words of Radovan Karadzic, president of the self- proclaimed Serb republic in Bosnia-Herzegovina, who had said that the Bosnian Serbs "will not allow the presence of a single soldier from the NATO rapid-reaction forces on our territory."

Peacekeepers Held by Serbs Said Beaten, Robbed

WS2606115495 Kiev INTELNEWS in English 2315 GMT 25 Jun 95

[Report by Halia Pavliva]

[FBIS Transcribed Excerpt] Kiev, June 20 — The 58 Ukrainian peacekeepers recently held hostage by Bosnian Serbs in the former Yugoslavia were robbed and "a bit beaten" while in captivity, a Foreign Ministry official charged.

Volodymyr Yelchenko, head of the ministry's International Organizations Division, said he observed the soldiers' condition in Zagreb, a week after their June 7 release and noted that while hostage they were relieved of the three-months pay they received before being captured.

The Foreign Ministry official also said that Ukraine has asked for compensation for the soldiers from the United Nations but has not yet received an official response. [passage omitted]

Pledge Not To Bar Transit of Russian Troops

LD2306210195 Moscow ITAR-TASS in English 1501 GMT 23 Jun 95

[BY Valeriy Demidetskiy]

[FBIS Transcribed Text] CHISINAU June 23 (ITAR-TASS) — Ukraine has pledged not to create obstacles for Russian troops withdrawn from the Dniester region of Moldova who will go via Ukraine by transit. Ukraine declared that it intends to approach this problem proceeding from universally accepted norms. This position was announced today by Ukrainian speaker Oleksandr Moroz at a news conference devoted to his official visit to Chisinau which ended today.

Moroz said that the talks on this problem had been going on and a basis had been created for adopting decisions acceptable to both sides. Moroz pointed out that the developments in the area of the Dniester conflict had created prerequisites for Ukraine's participation in the peaceful settlement of the conflict. "Kiev is prepared to send its experts to attend talks on the development of a special status of the Dniester region," Moroz said, adding that for financial reasons Kiev would refrain from sending Ukrainian peace- keepers to the area of the conflict.

The speaker stressed that it is necessary to speed up the ratification of the treaty on friendship, cooperation and good neighbourly relations with Moldova signed in 1992, saying the ratification had been "delayed for a number of objective reasons." Moroz noted that one of the obstacles on the way to the ratification were differences between Moldova and Ukraine over the problem of each other's property on their respective territories. In particular, after the break-up of the former Soviet Union the majority of Moldova's health resorts turned out to be on the territories of the Black sea coast and the Carpathians belonging to Ukraine.

Moroz noted that in Moldovan-Ukrainian relations there were border problems as well: some enterprises and branches of the railway turned out to be on the "foreign territory."

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National Affairs

Reportage, Commentary on Disturbances in Crimea

Marines to Feodosiya, Sudak

LD2606120895 Moscow INTERFAX in English 1130 GMT 26 Jun 95

[FBIS Transcribed Text] SEVASTOPOL, June 26 (INTERFAX-UKRAINE) — Ukrainian Marines have been moved in to help maintain public order outside the Crimean towns of Feodosiya and Sudak, a Ukrainian navy spokesman told Interfax-Ukraine.

He said eight officers and ensigns and 22 Marines were being deployed at the Shebetovka settlement near Sudak and four officers and 15 Marines in Sudak itself.

Similar assistance is being given to police in Feodosiya, the spokesman said.

Parliament Speaker of the Crimean Tatars Mustafa Dzhamilev, in a Sunday phone call to the officer on duty of the Ukrainian navy headquarters, pledged cooperation with Ukrainian Marines to try to restore order to the peninsula.

Talks Between Government, Tatar Leaders

LD2606140395 Moscow INTERFAX in English 1304 GMT 26 Jun 95

[FBIS Transcribed Text] SIMFEROPOL, June 26 (INTERFAX-UKRAINE) — The Crimean government has started talks with the leaders of the Crimean Tatar People's Majlis [Assembly] on ways of overcoming confrontation between the Crimean Tatars and the Crimean law-enforcement bodies.

The Crimean government is represented by Prime Minister Anatoliy Franchuk and the Crimean Tatars by leader of the Kurultay faction in the Crimean parliament, Deputy Chairman of the Crimean Tatar People's Majlis Refat Chubarov.

Clashes occurred near Feodosiya (eastern Crimea) Sunday between Crimean Tatars and law-enforcement bodies. After the funeral of two kinsmen Friday, Tatars began to raid kiosks, bars and restaurants which, in their opinion, belonged to the criminal grouping responsible for the death of the two Tatars. The police interfered. Ukraine's Deputy Interior Minister Viktor Korol, who arrived in Crimea, told Interfax that "at least two people were killed and dozens were wounded during clashes."

The Crimean Tatar People's Majlis told INTERFAX-UKRAINE that Crimean Tatars had arrived at Belogorsk, 50 kilometers from Simferopol, in 40 cars and five buses, to wait for the outcome of the talks. The number of people involved in the disturbances is being updated.

Ukrainian Interior Minister Vladimir Radchenko is reported to have flown out to Crimea.

Two Crimean Tatars — Robert Gabitov, born in 1963, and Evbekir Veisov, born in 1965, were killed, and one was wounded on June 23 in the village of Kurortnoye near Feodosiya as a result of clashes between Crimean Tatars and racketeers, when the latter were "collecting charges" on the local market.

Earlier, Crimean Tatar leaders had stated that if the law-enforcement bodies did not curb the criminal groupings, the Tatars would set up their own self-defense units.

Tsekov Notes 'Ungovernable' Situation

LD2606184595 Moscow INTERFAX in English 1730 GMT 26 Jun 95

[FBIS Transcribed Text] SIMFEROPOL, June 26 (INTERFAX-UKRAINE) — The Sunday clashes between Crimean Tatars and the police in Feodosia and Shchebetovka are "a result of mistakes made by the Crimean parliament and government and by Ukraine's leaders," Crimean Parliament Speaker Sergey Tsekov said after a meeting with Crimean deputies Monday [26 June].

"The republic is ungovernable. Under the present conditions we must reverse the trend, otherwise, the control over the situation will be lost completely, which will benefit criminals," he said.

According to Tsekov, the "governability" can only be restored by "returning the Crimean government under the Crimean parliament's control."

He said that at his latest meetings with Ukrainian parliament speaker Aleksandr Moroz and Ukrainian Prime Minister Yevgeniy Marchuk he met with their "understanding of how to restore the governability." "We must make use of the agreements with Ukraine's leaders we have already reached," said Tsekov.

In an interview later he said the Crimean police acted "extremely inefficiently." "People are fed up with extortion." But "we cannot have mob law here," said Tsekov.

He also said that at the Crimean parliament's presidium discussed the situation at a closed session Monday and decided not to hold an emergency session because it could contribute to aggravating the situation.

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Tsekov: Situation Returning to Normal

LD2606162695 Moscow ITAR-TASS in English 1556 GMT 26 Jun 95

[By Lev Ryabchikov]

[FBIS Transcribed Text] SIMFEROPOL, June 26 (ITAR-TASS) — "There have been reports indicating that the situation in Crimea is beginning to normalise," Crimean parliament chairman Sergey Tsekov told deputies on Monday [26 June].

Tsekov told his colleagues about the riots by Crimean Tatars in the eastern part of the peninsula on Sunday and last night, following an assassination of two Crimean Tatars by a criminal gang on June 23. The rioters destroyed trade outlets owned by the gang, burnt the house of the head of the state farm in the village of Shchebetovka and set afire a gas station.

Riot police units urgently rushed to the region opened fire on a convoy of cars carrying Crimean Tatars as it tried to leave the town of Sudak heading for Simferopol. As a result, two people were killed and six wounded. Casualties were reported among the police too.

The convoy was stopped near the town of Belogorsk. On Monday the rioters went home.

Army units continue to patrol the towns and villages where the unrests occurred.

"What is happening in Crimea can be described as an outrage of crime. Extortion, blackmailing and the use of force have become almost a norm," Tsekov said.

He criticised the police drawn into political fighting for ineffective actions. However, the main cause of the crisis on the peninsula is that no one governs it, he added.

There is no coordination between the branches of power. If no urgent measures are taken to remedy the situation, the crisis may worsen, Tsekov warned.

Tsekov said he pointed this out during his talks with Ukrainian parliament chairman Oleksandr Moroz and Prime Minister Yevhen Marchuk last week and they agreed with him.

He stressed that the parliament intends to vote a draft decision banning all armed formations in Crimea.

Interior Minister: Situation Under Control

LD2606191195 Moscow INTERFAX in English 1733 GMT 26 Jun 95

[FBIS Transcribed Text] KIEV, June 26 (INTERFAX-UKRAINE) — The situation in Crimea, where local Tartars and the police clashed, "has been normalized and brought under control," Ukrainian Interior Minister Vladimir Radchenko said at a news conference in Kiev Monday.

He said that the ministry is so far uncertain about who fired the first shot. It could have been either the police or the guards of installations the crowd tried to destroy.

Clashes between Crimean Tartars and the police in the vicinity of Sudak and Feodosiya left two people dead. The clashes started when Tartars began vandalizing businesses they believed to be owned by the local mafia. This was preceded by the killing of two Tartar businessmen by racketeers in the market place of the Shchebetovka settlement.

Radchenko said that the killers have been identified and a search for them is underway.

He said that large interior units have been moved into Crimea, a ministry and Security Service team is investigating and numerous criminal cases which have been opened.

A draft order which has been sent to Ukrainian President Leonid Kuchma would give law-enforcement officers new powers, in particular in checking cars on the roads.

Radchenko said that his meeting on June 24 with Crimean Tartar leaders and the Crimean mufti resulted in an agreement on maintaining public order.

A report by the Ukrainian Interior Ministry Public Relations Office says that in the ensuing rioting and arson, committed in Shchebetovka and the village of Koktebel and the towns of Sudak and Feodosiya by nearly 500 Tartars, cars, the building of the Koktebel state farm, the flat of a local police inspector and the house of a leading underworld figure were burned and a filling station was looted. Seven police were injured. The document did not mention Tartar casualties but the Crimean Tartar Majlis says that two were killed and six or seven injured.

The Interior Ministry emphasizes that the conflict between Crimean Tartars and the criminal world "was used by certain quarters to provoke ethnic Crimean Tartars to mass disturbances."

Valeriy Malikov, chairman of the Ukrainian Security Service who attended the news conference, said that one should not give the events a political dimension because there is no proof of interference by any third force.

Crimean Official: Prelude to 'Civil War'

LD2606192095 Kiev UNIAN in Ukrainian 1645 GMT 26 Jun 95

[FBIS Translated Text] Simferopol — "The events of the last few days in Crimea are not an interethnic

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conflict but are being turned into one," Refat Chubarov, the deputy chairman of the Majlis of the Crimean Tatar people, said at a news conference on 26 June. According to him, it was a prelude to a new civil war and the reason for this war will depend not on nationality or ideology but on "who governs in this world".

In the view of Refat Chubarov, "bandits, certain forces outside Ukraine and certain structures in Kiev" are interested in destabilizing the situation in Crimea. According to him, he explained his version of events to Minister of Internal Affairs Volodymyr Radchenko as far back as 24 June.

Refat Chubarov said that the Crimean Tatars had turned down the services of the law enforcement bodies to protect their settlements and had appealed instead to the representatives of Ukraine's National Guard. Since yesterday the streets of the settlements near Feodosiya are being patrolled by locals together with foot soldiers from the Ukrainian navy.

Refat Chubarov did not rule out the possibility that criminal groups in the area of Feodosiya were in contact with the local government.

As a witness to the events near Sudak, the deputy chairman of the Majlis of the Crimean Tatar people confirmed that special purpose detachments from Poltava had fired at unarmed people. He did not rule out that "possibly everyone in Crimea would like to see the introduction of a state of emergency".

Concern Over Kiev's Reaction to Unrest

LD2606202895 Moscow Radio Rossii Network in Russian 1800 GMT 26 Jun 95

[FBIS Translated Text] A meeting of the presidium of the Crimean Supreme Council was held behind closed doors in Simferopol this evening. The meeting was conducted by Serhiy Tsekov. The presidium members decided not to hold an extraordinary session, since the situation had been stabilized. Serhiy Tsekov suggested that the mass disturbances in Crimea should be examined at a plenary sitting on Tuesday [27 June].

After the presidium finished its work, the parliament speaker gave an interview to journalists and expressed his concern that the Crimean disturbances might be used by officials in Kiev as a pretext to increase the number of the armed forces on the peninsula and to build up political pressure on the Crimean pro-Russian authorities. Serhiy Tsekov added that a solution to the problem of the Crimean Tatars should not encroach upon the interests of other nations, including the Russians, who constitute an absolute majority in Crimea. The speaker said that Ukraine should redress an imbalance in the ethnic policy, stop exerting psychological pressure on ethnic minorities and grant wide-ranging autonomy to Crimea. Otherwise, there may be further ethnic disturbances and unrest in Crimea.

Crimean Tatars' Majles Holds Meeting

LD2606201995 Moscow Radio Rossii Network in Russian 1800 GMT 26 Jun 95

[FBIS Translated Text] An extraordinary meeting of the Crimean Tatars Majles was held today in connection with the tragic events in Crimea. Our correspondent, Vladimir Mishnev, had a telephone conversation with its chairman, Mustafa Dzhamilev, and asked him about decisions made.

[Begin recording] [Dzhamilev] We discussed the situation and possible developments and our possible action in this or that case. We discussed the text of our statement. We have not yet adopted it; it will be finalized later probably. We give our appraisal of the situation and put forward our main demands in the statement. We demand that a parliamentary commission of the Ukrainian Supreme Council should be set up where the Crimean Tatars representatives may participate to purge law enforcement bodies of mafia structures, to conduct a thorough investigation, and punish those guilty of killing our compatriots yesterday.

[Mishnev] Do you think the situation is back to normal?

[Dzhamilev] No, I would not be that optimistic, since there are many worrying signs. The authorities are creating tension where they should not do this. Mafia groups are stepping up their activities. They are trying to impart interethnic smack to what happened, to draw the Russians on their side, but to tell the truth not very successfully. [end recording]

Protocols Signed After Chernobyl Conference

WS2606114095 Kiev INTELNEWS in English 0117 GMT 26 Jun 95

[FBIS Transcribed Text] Kiev, June 23 — Three protocols, including one on the nuclear power industry, were signed Friday [23 June] at the first meeting of Chernobyl Nuclear Power Plant Replacement international consortium representatives and their Ukrainian partners.

The other protocols involved reconstruction and modernization of thermal power plants.

State Nuclear Power Industry Committee Chairman Mykhailo Umanets and Power Industry First Deputy Minister Oleksiy Shebersov signed the protocols on behalf of Ukraine and Siemens thermo-technical equipment Eastern Europe and Commonwealth of Indepen-

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dent States Department Manager Peter Schwegmann on behalf of the consortium.

So far, proposals for the Chernobyl nuclear power plant's closure are unsafe and fail to solve the social issues, Umanets said, at the conference.

Still, he said, the international representatives and Ukrainian officials agreed with the assessment of the plant's condition. These coincided with the conclusions of the Ukrainian-American committee that worked in Chernobyl in November 1994. $2.4 billion in grants is required to shut down the Chernobyl plant safely, Umanets said.

Reconstruction of thermal power plants and putting two reactors into operation in the Khmelnytskiy and Rivne nuclear power plants will be carried out using the credits, which cannot be a source of investments, he said.

Consultations on preparations for the negotiations with the donor countries will start Monday in Bonn. "We are under the pressure of objective circumstances now," Schwegmann said. "The decisions adopted in Kiev will serve as a base for the negotiations in Bonn, London and Brussels at the level of governments and the European Union."

Siemens, the Power Industry Ministry and the State Nuclear Power Industry Committee will look for solutions to technical issues, determined by the concept of Ukraine's power industry re-structure and sources of financing. While Siemens does not rule out a proposal by the ASEA Brown Boveri power engineering company to construct in Chernobyl a 3 million kilowatt gas-fired steam power plant, said Schwegmann, the Siemens "project is just less expensive and technically more elaborated."

"Ukraine is to decide which is better, " he added.

Umanets said: "If a decision is not adopted now, the Chernobyl plant's first reactor will stop in 1997 and the third in 1999. They will stop by themselves, without any assets for further operation."

Prime Minister Marchuk Profiled

WS2706101095 Kiev VSEUKRAINSKIYE VEDOMOSTI in Russian 21 Jun 95 p 3

[Article by Vyacheslav Pykhovshek from the Ukrainian Independent Center for Political Research: "The Master of 'Working Without Rapid Movements'" — first paragraph is VSEUKRAINSKIYE VEDOMOSTI introduction]

[FBIS Translated Text] **One of the three top state posts in Ukraine is for the first time occupied by a former high-ranking KGB leader. Not much is heard about Yevhen Kyrylovych Marchuk in contrast to the majority of Ukrainian politicians. One thing alone — journalists prefer to not criticize him — shows not so much the caution of mass media representatives toward our special services as Mr. Marchuk's ability to make them respect him.**

An Expert for Laboratory Research or a "Gray Cardinal?"

Perhaps Yevhen Marchuk did not dream about the "KGB officer" career at first. In 1963 he graduated from the Pushkin Teachers Training College in Kirovograd with a diploma of a "teacher of the Ukrainian language and literature" and a "teacher of the German language." Instead of a school, he found himself in the Ukrainian Cabinet of Ministers KGB Department for Kirovograd Oblast. He became a detective officer. In 1965 he worked as a junior detective officer, and then a detective officer for the Ukrainian Cabinet of Ministers KGB Department for Kirovograd Oblast. In 1967 he worked as a detective officer, a senior detective officer, a deputy department head, a department head, and a Ukrainian KGB Inspection head. Yevhen Marchuk became head of the Ukrainian KGB Department for Poltava Oblast in 1988, and in 1990 he worked as first deputy chairman of the Ukrainian Security Service [SBU]. According to former Supreme Council Deputy Chairman Vasyl Durdynets, Yevhen Kyrylovych Marchuk headed the Fifth KGB Department, which was well-known among dissidents.

The "non-KGB" ascent in his political career began not long before the "Kryuchkov-Yanayev" putsch [Russia, August 1991]. Yevhen Marchuk became Ukrainian state minister for defense, national security, and emergency situations on 5 June 1991. Twenty five days after the SBU was officially established, he left the Ukrainian Cabinet of Ministers to become its chairman — on 14 November 1991 — and it was there where he was given the highest general rank.

Facts show that the SBU — headed by him — chose the "working-without-rapid-movement" tactics. Despite the meaningful hints of the "special-service-is-attentively-watching-developments" type published in press, practically no one was able to catch the SBU red-handed in some anti-democratic activities. Most likely nothing other than the ability to calculate opportunities, the knowledge of foreign languages, and the ability to communicate with most various Ukrainian and foreign participants in political battles helped Yevhen Kyrylovych win the reputation of a liberal thoroughly considering all his moves.

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In addition, this opinion was shared by many different people — from representatives of government circles to priests and cultural activists. Several American people with whom Mr. Marchuk met emphasized that it is typical for the SBU head to use phrases that are considered and rather weighty. When legislative radicals attacked and accused his department of inactivity, Yevhen Marchuk parried them with an argument that "an individual against whom special services could launch their efforts would become a hero for a specific group." Indeed, it has somewhat become fashionable to gain political "capital" out of the image of "a persecuted person." So, was it worth creating such "heroes?" His argument was logical. It was also logical that he received only eight "no votes" when his candidacy for the post of the SBU head was approved by the previous Supreme Council. Perhaps he again foresaw the result of that Supreme Council discussion, when he, a candidate for this post, said: "I can be reproached for my past; attempts will be launched to not let me be elected, but if they make a choice based on professionallism, I personally do not see anything terrible for myself in the nomination procedure."

The SBU began its international activities also under Yevhen Marchuk's leadership. The SBU head and two of his deputies visited Langley in the summer of 1992. The aim of their official talks with the U.S. CIA officers was, according to official reports, the establishment of contacts for combating international crime. CIA Director Robert Gates visited Kiev in the second half of September 1992 where he continued his negotiations with the Ukrainian leadership. It is known that as a result of these negotiations a few SBU officers went to the CIA for a training session.

Official reports show that in May 1993 SBU Chairman Marchuk settled the conflict between former Prosecutor General Mykhaylo Potebenko and Hryhoriy Omelchenko who began to publish his articles in newspapers at the time. Some time later, in July 1993, he fulfilled a diplomatic mission in Transdniester region and settled the conflict between the Ukrainian Union of Officers Executive Committee and the Main Department for Military Counterintelligence. When he became a member of the Ukrainian Council for National Security in September of the same year, he began to actively handle problems of mutual relations with Russia. By the way, the beginning of Yevhen Marchuk's diplomatic activity on the "Russian front" fell on October 1994 — the period of President Leonid Kuchma's office. By the way, an opinion about Marchuk as a true "gray cardinal" of Kiev emerged in specific circles of the Russian State Duma and among Russian national patriots. According to this opinion, Russia will undoubtedly feel the results of his activities in Crimea.

Marchuk and the Presidential Team

Many numerous rumors and stories about Yevhen Marchuk were spread during the 1994 presidential elections, but forget about these rumors. Let us leave them for gossipers. The fact itself is important for us: The SBU head managed to preserve political objectivity and, by launching great efforts, managed to "make" himself necessary for the new president. He began to handle Crimean problems practically immediately after the tension on the peninsula developed: He headed a working group, created by Leonid Kuchma, in October 1994. During Ukrainian-Russian negotiations, in January of this year, Yevhen Marchuk also became a chairman of the Coordinating Committee for Combating Organized Crime and Corruption. After Vitaliy Masol "left," he became acting Ukrainian prime minister.

It is still difficult to say now how the distribution of forces on the Ukrainian Olympus of power will change after the new appointment of Mr. Marchuk. According to some data, this nomination considerably stirred up behind-the-scenes battles in circles close to the president. In addition, these battles became more pointed, because it is quite possible that a few presidential aides will have to "make room" for someone else.

It is particularly interesting to watch the development of relations between the prime minister and Volodymyr Horbulin, secretary of the Ukrainian National Security Council. Both of them were nominated by the same presidential edict of 22 October 1994: Horbulin became the Expert Council chairman in the re-established Fund for Support of National Security Research and Marchuk — the fund's Supervisory Council chairman. It is known that only these two representatives of top power of Ukraine delivered reports, when the Ukrainian president adopted a decision to close down the Chernobyl nuclear power plant on 9 April 1995, providing the analysis of all aspects of this problem. At the same time, according to a government official, mutual relations between Volodymyr Horbulin and Yevhen Marchuk, to all appearances, can be characterized as "quite complicated." The existing "parallelism" in specific structures of the Ukrainian Cabinet of Ministers and the Ukrainian President's Situation Center [sytuatsionnyy tsentr] somewhat proves these quite complicated relations.

A Guarantor for Stable Power?

In addition, the prime minister' recent statements about the new Ukrainian Government "supporting the course of market reform" show that a peculiar "distribution of

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roles" has been carried out at the Cabinet of Ministers: Viktor Pynzenyk and Roman Shpek will be in charge of reform itself, and the prime minister himself will oversee the implementation of adopted decisions. Until now, Yevhen Kyrylovych was good at exactly this type of work: from "resolving" the Crimean crisis to compromising on Sevastopol issues.

Yevhen Marchuk said at the "Window to Ukraine" international conference in Halifax: "There should be discipline at least for ministers." He added: " I can guarantee by my reputation that the situation in our country will develop toward progress." Due to the presence of businessmen at this conference, it was obvious that Ukrainian prime minister's words would make it clear to some Western political circles that Ukraine has now that most stable power, a power these circles wanted to see. If several months back, after Leonid Kuchma's visit to Moscow, Marchuk stressed that the "president himself conducted laboratory research on the Moscow negotiations,," Mr. Marchuk is currently proposing to place this responsibility upon himself.

One can judge Yevhen Marchuk's skillfulness in creating his image in the West not only from his speeches at various forums, but also from Western press reports that are usually cautious in assessing Ukrainian political leaders. According to the "Equality of Opportunities" Committee at the Ukrainian Independent Center for Political Research, he — in contrast with our other leaders, including the president himself — has managed to obtain an invariably high rating [in opinion polls]. By depicting Yevhen Marchuk as a "moderate pragmatic," ther influential British "THE ECONOMIST" gave a typical assessment of the former leader of Ukrainian special services.

Political Prospects

Mr. Marchuk's "neutral position" on the law on power can affect his political career just in the immediate future. His deliberateness in avoiding any comment on this issue is sufficiently significant in itself. This caution is explained particularly by the fact that Yevhen Marchuk did not want to depend on a situation that could change at any time. In addition, according to the available data, not all members of the presidential administration supported Marchuk's nomination to the prime ministership. In connection with this, a few observers assume that Yevhen Kyrylovych could have played an important role of an "alternate" option, if the presidential law on power were not adopted in any form. But it is very symptomatic that in contrast to the president and the Supreme Council chairman, who not only "gained" but also "lost" after the Constitutional agreement was signed, Marchuk stayed "above the battle." At the new twist of his political career, he also managed to preserve a reputation of a statesman who knows fairly well what the law is and where the limits of his personal power are.

There is also nothing surprising in that Mr. Marchuk, with his precise orientation in support of state interests, is gradually becoming a politician toward whom national democrats are become oriented. Rukh leader Vyacheslav Chornovil stated in April of this year that "he does not see a genuine alternative to Yevhen Marchuk as Ukrainian prime minister." At the same time, national democrats did not only ignore the fact that he headed the former KGB, but also supported him, no matter whether Marchuk himself needed such a support. This is the result of his consequent position in protecting Ukraine's national interests!

Yevhen Marchuk is in charge of genuinely key issues for which either Leonid Kravchuk's or Leonid Kuchma's administrations "did not have time." He conducted negotiations with Donetsk Strike Committee cochairmen M. Krylov and A. Kolomyytsev; he reported to the National Security Council on the situation in Crimea; he began to handle regional policy when he held a range of meetings with leaders of oblast councils in May of this year. If before Oleksandr Tkachenko, former deputy Supreme Council chairman, called him an " expert in only one narrow area," Mr. Marchuk is currently studying new "areas for activities."

Perhaps there are not many politicians who have enough force to clean the "Augean stable" neglected by the former Ukrainian prime ministers. Yevhen Marchuk manages to do this. The authority of the former KGB head in itself is in many cases sufficient to resolve prolonged issues and to suspend fruitless disagreements. In contrast with the majority of other Ukrainian leaders, no less resolute and tough, the prime minister is more informed and can deal with macrosocial groups. The combination of the Western-type education [as published] and the "KGB experience" is new for a Ukrainian politician, a combination rather accidental than classic.

The position of government head opens great prospects for Yevhen Marchuk. At the same time, a few observers express an opinion that an inevitable deterioration in Ukraine's socioeconomic situation could be "written off" to him as prime minister, while the president and the Supreme Council chairman will stand on the sidelines. This is quite possible. But no one at the time reproached the former SBU head for the increase in crime in the country.

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Of course, one cannot make specific forecasts as too little time has passed since Yevhen Marchuk was appointed to his post. Only one thing is indubitable: His steadily ascending political career, although with breaks, will continue.

Minister Kalnyk Explains Housing

954K0616A Kiev URYADOVYY KURYER in Ukrainian 8 Jun 95 p 5

[Article by Viktor Kalnyk, deputy minister of the economy: "Concerning Prices and Rates of Energy Supplies and Housing and Municipal Services for Consumers"]

[FBIS Translated Text] The question "concerning the prices and rates of energy supplies and housing and municipal services for consumers," which the Cabinet of Ministers Presidium discussed the day before yesterday, is not new. There have already been Ukrainian presidential edicts issued on this subject, as well as decisions adopted by the Supreme Council, the government, the oblast councils, and certain ministries and departments. When considering this matter, one cannot fail to take into account the sociopolitical situation in the country and the actual financial resources of the state, its budget, and the pension fund.

What would I like to focus on in particular? First of all, on the fact that the prices of energy supplies, most of which we buy, are world prices or close to them. The state is not able subsidize them for all consumers. We can speak seriously of state assistance to consumers as amounting to only 70 percent of the cost of energy supplies. But in order to ensure their rational use and conservation not in word but in deed, the prices of energy supplies to consumers in combination with social security must be brought closer in stages to their real cost.

Based on the real cost of energy supplies, business entities have a chance to enter the foreign market only if their indicators of energy conservation and labor productivity are high. There is no other recipe.

It was precisely this ideology that formed the basis of the decisions with respect to questions of price formation that were adopted by state executive bodies at various administrative levels.

Housing and Municipal Services

At the end of last year, a decision was approved in compliance with the well-known government Decree No. 733 to bring the nominal value of municipal services in line with their actual cost in stages in 1995: as of 1 February—30 percent, as of 1 July—40 percent, and as of 1 September—60 percent.

However, taking into consideration the imperfect mechanism of providing a social safety net for the population (it protected everyone in a small way—rich and poor alike), the government decided to change the stages: as of 1 February—20 percent, as of 1 May—30 percent, as of 1 July—40 percent, and as of 1 September—60 percent.

The fact that the housing subsidy services in certain regions were not ready to work forced the government to postpone the date for introducing new rates for housing and municipal services from 1 May to 1 June. This became the subject of serious discussions in the government at the end of June. At that time, the Cabinet of Ministers evaluated the performance of certain regional leaders accordingly for falling behind and, even more important, for the large losses sustained by the budget, whose indicators are formed in strict coordination with the schedule for introducing price measures. Let me remind you: The delay of one month in introducing new prices for municipal services, electric power, and gas resulted in a loss of nearly 40 trillion karbovantsy. This was the amount by which budget revenues fell short, making it impossible to allocate the necessary resources to the regions. A certain portion of these funds provoked and exacerbated the nonpayments crisis. Such was the cost of failing to carry out the government's decision in due time.

And how did the oblasts fulfill the requirement that the new rates be introduced beginning on 1 June of this year?

As of 5 June, decisions to introduce new consumer rates for municipal services (water and heat supply and sewerage) were passed by 12 oblast and city executive committees. In 11 oblasts, the new rates have been calculated, agreed upon, and submitted for approval to the oblast executive committees. In four oblasts—Ivano-Frankovsk, Rivne, Mykolayiv, and Ternopil—the calculation of new rates is only now being completed.

Operational data from the oblasts on rate levels indicate that they differ. But the average amount of increase in the new rates for Ukraine as a whole is close to the estimated rate forecast by the Ministry of the Economy. For example, water rates have increased from 1.4- to 2.7-fold in the oblasts (the Ministry of the Economy predicted a 2.1-fold increase) and range between 3,400 and 7,900 karbovantsy per cubic meter (predicted average rate—5,400 karbovantsy). The same holds true for other types of services.

The change in rates for housing and municipal services must be accompanied by a dependable social safety net ensured through the housing subsidy services that have been created in all regions. In addition, in accordance

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with the president's directive "On improving the social protection of the population in connection with the change in prices and rates," the government approved the necessary decisions the day before yesterday. They will be published in URYADOVYY KURYER.

Speaking of municipal services, I would like to stress the following: the rates in May in fact compensated for no more than 15-17 percent of the actual cost of services. The new rates starting 1 June, which have been approved in the oblasts, will compensate 30 percent.

With respect to further steps to make up for the cost, the Ministry of the Economy, together with the Ministry of Finance, the Ministry of Social Security, and the Pension Fund, will make a careful study of what the budget and the Pension Fund allow and, taking into account the performance of the housing subsidy services, will submit appropriate additional proposals to the Cabinet of Ministers by the end of this month.

City Transport

Two oblasts have approved new rates amounting to 10,000 karbovantsy per ride (Donetsk and Lvov oblasts). Similar decisions have been prepared in Sumy, Ternopil, and Kharkov oblasts, but it cannot be ruled out that the rest of the regions will refrain from raising municipal transport rates in June.

Electric Power and Fuel for Consumers

In contrast to other energy supplies, electric power for consumers is not subsidized from the state budget, but rather the costs are shifted to industry. It was only starting on 1 May, with a delay of two months, that the Ministry of the Economy set rates that compensate for the actual cost of energy supplies (gas—$80, coal—in the range of $30, mazut—$75, tvela—at world prices, the removal of nuclear fuel—also).

Industry rates were set in dollar equivalents and were to be introduced at the same time as consumer rates. But postponing the introduction of housing and municipal services rates from 1 May to 1 June made it necessary to postpone introducing the rates for electric power as well. On 19 May, the Ministry of the Economy registered its order concerning the change in consumer rates (on the average, 1.5-fold higher than existing rates), but these rates will not go into effect on 1 June: The government has instructed that this question be studied further and a separate decision be passed. I would like to stress that it is not possible to continue shifting the burden to industry in order to provide benefits to consumers. We want to create a system of stable rates for industry. There will be no further changes in these rates in 1995, and they will depend completely on changes in the rate of exchange of the Ukrainian karbovanets against the dollar. A month's delay in introducing these rates has cost the enterprises under the jurisdiction of the Ministry of Energy 8-10 trillion karbovantsy, a circumstance that is directly responsible for worsening the nonpayments crisis.

Applying the experience of other countries, we have created the Ukrainian National Commission for Regulating Electric Power. One of this commission's functions will be to set rates for electricity and heat. To a certain extent, this will allow for greater objectivity in defining the value of the sector's production, including the production of electric associations. At the same time, it will eliminate the somewhat subjective (sectoral) approach to the setting of rates, inasmuch as the Ministry of the Economy will work together with the commission in this sphere in the interests not only of the sector, but also of the great number of consumers.

No proposals have been submitted to change the prices that consumers have to pay for coal and solid fuel. As to raising the price of natural gas for consumers 1.1-1.5-fold, this question will be studied further, taking into account the Ukrainian presidential directive dated 5 June of this year.

Consumer Rates for Communication Services,

which were introduced beginning 1 June by the Ministry of Communications with the approval of the Ministry of the Economy, have been raised 1.2-1.3-fold on the average. There are two reasons why this decision was passed:

—the increase as of 1 May in the price of electric power for industry, the cost of which represents a substantial portion of the production cost of electric communications;
—separating electric communications and postal services at the local level and shifting the losses of postal services to electric communications.

Bread Prices

Digressing somewhat from my subject, I would like to touch upon bread prices.

In order to carry out the corresponding Ukrainian presidential edict dated 5 January, the Ukrainian Cabinet of Ministers approved the "Procedure for Compensating Agricultural Producers for Inflation-Caused Losses on Products Sold in 1994 Under State Contract," and in order to conduct a supplementary valuation of products, a joint letter from the Ministry of Agricultural and the State Committee for the Food Industry dated 14 Febru-

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ary 1995 has brought in line the estimated procurement prices of grain crops, sunflower seed, and sugar beets.

In conducting a supplementary valuation as of 15 February 1995, the first to establish bread prices were Vinnytsya, Donetsk, and Lvov Oblasts. Other oblasts set prices in March. The last to do so were the Autonomous Republic of Crimea—starting on 12 March 1995 (with subsidies for bread), the city of Sevastopol—starting on 14 March (without subsidies), and Chernihov Oblast starting on 16 March.

The Ministry of the Economy made timely reports to the Cabinet of Ministers of Ukraine of instances of delay and causes of the failure to introduce new retail bread prices. I should add that it was the fault of the Ministry of Agricultural Production that the supplementary valuation of grain was not conducted for two months—in March and April. This, despite the fact that the Ministry of Agricultural Production is continually complaining about a lack of funds and disparities in prices.

As of 6 June of this year, new bread prices were introduced in twenty oblasts and the city of Kiev. As of 16 May, they were introduced in Donetsk, Kirovohrad, and Lvov Oblasts. In eleven oblasts, they were introduced up to five days late, and up to 20 days late in other oblasts.

New bread prices have not been introduced in such oblasts as Dnipropetrovsk, Zhytomyr, Zaporizhzhya, Sumy, Kharkov, and Chernihov, as well as the city of Sevastopol. According to operational data obtained from these oblasts by telephone, bread prices have been calculated but not put into effect. The dates on which they will be put into effect are being reviewed by state authorities at the local level.

Because of delays in introducing new retail prices for bread and in conducting a supplementary valuation of grain, in March and April agriculture was subject to shortfalls in compensation amounts. Losses totalled 14 trillion karbovantsy. This was the result of poor discipline on the part of the Ministry of Agricultural Production and the state authorities in the regions, in particular in executing the Ukrainian presidential edict with respect to revenues of nonemission funds to enable carrying out spring field work. This can also have a negative effect on price formation with respect to agricultural products produced by the new harvest.

There has been ample time over the last two years to recognize that postponing decisions relating to price policies only creates a greater threshhold in price changes and arouses greater anger among the people than when the necessary measures are applied in a timely fashion.

World "Records" in Production Costs

One can frequently hear enterprise managers complain that owing to an incorrect price policy, especially with respect to energy resources, there is no longer a demand for their products and that they are noncompetitive in foreign markets because their cost exceeds world price levels. At the same time, every one of these managers urges the state to regulate the prices of enterprises that supply raw materials, fuel, component parts, and other goods required for production without extending this regulation to his own products.

But this gives rise to the question: How is that in a situation in which the cost of energy supplies and raw materials that are consumed in Ukraine does not exceed this level and in which the level of our wages is much lower and depreciation allotments are purely symbolic, certain enterprises "attain" production costs that are much higher than world prices? Does the cause not lie in the fact that many managers of state enterprises have retained the stereotypical way of thinking of the past, when the center thought for them in deciding what and how much to make, where to deliver it, how to economize, how much to spend, etc.? Consequently, without burdening themselves with the obligation of proper management (and there are plenty of examples in our country that show that with initiative and good management, even under present conditions, enterprises are ensuring effective labor on the part of their collectives and production growth), such managers lay the blame for everything on the government rather than on their own passivity.

Yet we have considerable internal reserves to stabilize prices and ensure normal cost-accounting activity. Recently, the collegium of the Ministry of the Economy considered the question of energy conservation, which is one of today's most urgent issues. An analysis of the actual state affairs, conducted by our own and foreign experts, indicated that the level of energy efficiency in Ukraine is much lower not only compared with the indicators of European countries, but also compared with other CIS countries. In monetary terms, the amount of energy resources that we use per unit of gross domestic product is 13-fold higher than in Germany and Denmark, 10-fold higher than in France and Austria, and from five to eightfold higher than in other European countries.

In the metallurgical industry, we use 45 percent more energy per one tonne of steel than Western countries.

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We have large losses in electric power engineering. While in developed countries, average losses in energy transformation constitute 28 percent of gross domestic consumption, in Ukraine they measure 41 percent..

Obviously, I do not mean to say that stable production is an easy matter and depends solely on initiative. It requires structural changes, the necessary investments, and the introduction of new technologies, but it is essential that we realize today that the overwhelming portion of success in the kind of economy that we want to build depends on initiative that stems not from the top but from the bottom.

The audits of the state of price formation conducted by the state price control agencies in 1995 at a number of ferrous metallurgy enterprises have shown that the consumerist approaches to price formation described above are the very reason that prices are constantly rising. A broader audit will be conducted in the very near future, which will encompass the output of enterprises in various sectors. A program has been prepared for studying the state of price formation and analyzing the factors causing them to rise in recent years. Based on the results of this audit, proposals ill be submitted to the government regarding ways to eliminate the negative effect of internal production factors on the dynamics of prices.

* * *

In conclusion, I would like to say a few words about the social protection of the population in connection with increases in prices and rates. It is the goal of the government never again to shift the burden of economic problems in the national economy, especially when there is bad management, to the people. A state that attempts to solve the problems of its economic sectors and the budget at the expense of its citizens is doomed. Quite often these problems are "engendered" by the inefficient performance of enterprises, which then include all their errors into the production cost of goods and hence into their prices.

On the whole, the social protection of the population in conjunction with changes in the prices and rates of municipal services and energy supplies has been in effect as of 1 May of this year directly through the local housing subsidy services. The fate of the decisions that have been adopted and will be adopted in the future depends on how well these services work.

Economic Issues

Trade With China Increases Fourfold From 1992

WS2706091295 Kiev INTELNEWS in English 1919 GMT 26 Jun 95

[FBIS Transcribed Text] Trade turnover between Ukraine and China increased fourfold since 1992, currently exceeding $837 million, according to the Foreign Ministry.

The major items of exports from China to Ukraine are textiles and food processing industry products. Ukraine is one of the leading exporters of metal, rolled ferrous metals and mineral fertilizers to the Chinese market.

More than 40 Ukrainian-Chinese joint ventures are currently operating in Ukraine.

Deputy Premier Views Foreign Investment

WS2606115995 Kiev INTELNEWS in English 2315 GMT 25 Jun 95

[Interview with Deputy Prime Minister Viktor Pynzenyk by INTELNEWS correspondent identified as ER; place and date not given — first paragraph is INTELNEWS introduction; from the "Economic Review" feature]

[FBIS Transcribed Text] Deputy Prime Minister Viktor Pynzenyk. Born April 15, 1954 in the Transcarpathian oblast. Graduated 1975 from Department of Economics, Lvov State University. Assistant Professor, Senior Research Fellow of Lvov State University, 1975-90 Professor, Lvov State University, 1990-91. Head, Department of Management and National Economics of Lvov State University, 1991-92. Deputy Head, Committee on Economic Policy of State Duma of Ukraine, 1992. Deputy Prime Minister on Economic Reforms, Economics Minister of Ukraine, 1992-93. Head of Ukrainian Reform Support Foundation, 1993-94. Appointed as Deputy Prime Minister of Ukraine, 1994. Is a Parliament deputy, Doctor of Science in Economics, Professor. Is married, has three children

[ER] Structural changes are the basic characteristic in rebuilding Ukrainian economy. What are their peculiarities today?

[Pynzenyk] The process of restructuring large, state-owned enterprises is being deployed and the plans for 21 enterprises are under development. The work on simplification of bankrupt property sale is being done. The bankruptcy laws are being amended and prepared for introduction. Numerous measures assisting private business development in Ukraine have been taken: adopting of the Law on Entrepreneurship, change of the taxation system, permission to state-owned enterprises

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to sell assets to private buyers through public auctions. Now a legal base more attractive to private investors is being developed.

[ER] As is known, implementation of structural changes requires external funding and especially foreign investments. What can you say about this process in Ukraine?

[Pynzenyk] Representatives of many countries already cooperate with Ukrainian businessmen, expanding investments to different branches and regions. Foreign partners from 83 countries invested in 2,123 enterprises and organizations in Ukraine. Starting in 1995 we can see recovery of this process as during the first quarter, 960 foreign investments totaling $351.1 million were registered, which is 2.8 times more than that for the first quarter of 1994.

[ER] How do these foreign investments affect Ukrainian economics?

[Pynzenyk] These amounts of foreign investments have no noticeable effect on Ukrainian economics. The total value is 3 to 7 times less in comparison to figures for other Central European countries, while according to calculations of Ukrainian economists, the total need for foreign investments is $40 billion, with $4 billion necessary for essential objects.

[ER] What measures are taken to attract investors?

[Pynzenyk] Now the government is working on development of equal and favorable conditions for both foreign and domestic investors, creating an advantageous investment climate and improvement of legal regulation and infrastructure of international business.

In addition, we are working on formation of the National Insurance Company and the Ukrainian Bank of Reconstruction and Development. We develop an automated partner search system for foreign investments. The training of national specialists for management, finance, credits, currency operations insurance, securities, banking, accounting, auditing and international laws is paid great attention. Also I have to mention regional investment programs and investment projects exhibitions. These might bring the interests of administrators and investors in accordance.

[ER] Except investments, Ukraine acquires credits of international financial organizations...

[Pynzenyk] Yes, the credits are an important tool for development and restructuring of our economy and our need for them is $8 billion. Starting in 1992, Ukraine gets foreign credits according to international and interbank agreements. Currently, there are few credit lines: with Germany, Switzerland, France, Italy, the United States, and the European Union. We expect further expanding and reopening of previously closed lines. Foreign credits that are issued under governmental guarantee for 1995 will be used only for priority projects, stimulating development of export potential and infrastructure and providing quick profitability.

[ER] What is the state of foreign trade?

[Pynzenyk] System of measures to be taken is directed toward increased competitiveness of the Ukrainian economy and opening it to international trade. The exchange rate for the KBV [karbovantsi] was unified, it is being defined at the Interbank Exchange, opened to all banks authorized to participate in currency auctions.

The requirement that exporters sell part of their currency income at the fixed official rate has been canceled. Simultaneously, foreign trade receives encouragement as export quotas and licensing were canceled with exception of goods that are subject to export and other limitations according to international agreements. And the maximum export tariff has been decreased to 30 percent. Supporting a liberal import regime and not preparing to introduce any quantity limitations in the medium terms, we are working on simplifying and decreasing import tariffs. Thus, our foreign trade regulation policy gives hope that our partners will have an adequate approach, especially by creating favorable conditions for Ukrainian exports to foreign markets.

[ER] And what are the changes in the energy and fuel fields?

[Pynzenyk] This complex now goes through institutional and regulation reforms. The concept of market-wise transformation, developed for energy production, changes the entire structure of this branch, forming independent companies dealing with production, transition, distribution and vending of electricity. Now the oil, gas, oil processing and coal industries are being corporatized. This gives a basis for market competition of producers.

[ER] What can you say about the state of Ukraine's agriculture?

[Pynzenyk] One of the principal reforms is change of the state agricultural produce purchase system by forming of two major chains: — state contract system, covering purchase by the government for special state needs only on the basis of budget assignments — commodity exchange purchase system, formation of agricultural exchange network.

The first agricultural exchange started working on January 27. Producers of all forms of possession sell their available produce there as well as produce of the next harvest. So, the effort of the government is directed toward development of a market infrastructure and

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demolishing grain export limits, parceling monopolies, establishment of a favorable investment climate for improvement of production, storage and processing of agricultural produce.

National Bank Chairman Views Monetary Policy

WS2306105295 Kiev UKRAYINA MOLODA in Ukrainian 16 Jun 95 pp 1, 4

[Comments by Ukrainian National Bank Chairman Viktor Andriyovych Yushchenko "recorded" by Iryna Ozhohina; place and date not given: "Viktor Yushchenko: 'I Will Not Resign'"]

[FBIS Translated Text] We would like to remind you that our recent guest, Ukrainian National Bank Chairman Viktor Andriyovych Yushchenko, a 40-year-old man from the Ukrainian establishment, has a high popularity rating in virtually all mass media segments.

Many people like his way of explaining financial and macroeconomic issues through metaphors, rich and unexpected images, thanks to which these issues look at least more attractive, if not simpler. It is well worth reminding you of the reason for this: Viktor Yushchenko likes to paint, so to ease his banking workdays he has hung a landscape of his native Sumy Oblast that he personally painted in oils in his study. According to the National Bank chairman, he has not taken up his paintbrush for more than six months.

Exactly over these six months another sphere — financial-banking — underwent positive metamorphoses. At least in this sphere changes have been introduced, and they, in the opinion of Viktor Andriyovych, manifest the beginning of the stabilization in the national monetary system. Therefore, Viktor Yushchenko views rumors — Oleh Soskin, deputy director of the Institute of the World Economy and International Relations, voiced these rumors in press — about his potential resignation with skepticism.

[Ozhohina] **In the opinion of Oleh Soskin, "Viktor Yushchenko's days — as National Bank chairman — are numbered. He has implemented six currency emissions since he came to office, but he will not survive the seventh one and will be dismissed from his post."**

[Yushchenko] Listen, I will not resign.

[Ozhohina] **Viktor Andriyovych, could it happen that certain political forces will force you to implement the seventh currency emission, and then dismiss you all the same?**

[Yushchenko] Why could this not happen? It could happen. Our board, however, launched so many attempts — and quite successful — to stop the flywheel of inflation and to stabilize the general situation in Ukraine over two and a half years that this potential resignation could be regarded as an honored departure through the front door.

A Few Viktor Yushchenko Monologues About Inflation

I would like to congratulate you on the lowest inflation — 4.6 percent — in May that we have had in recent years. Perhaps not everyone will perceive this statement as a gift, because they do not understand the essence of the processes now taking place in the Ukrainian economy. Everyone, however, knows that if the bread price does not rise for over a month, that is good. We have now a practically regulated inflation, one of the greatest positive achievements of Ukraine's macroeconomic development.

About Credits

Another process taking place within the financial stabilization framework is the reduction in the National Bank basic discount rate. The National Bank discount rate was lowered by more than 50 points over the last month. The interest rate on commercial credits — issued by banks — was lowered from 145 percent to 107 percent. Most credits are currently being granted on the 100-percent-interest-rate basis. Such a quick reduction in prices for devalued money demonstrates that the national currency is being strengthened in Ukraine.

I am often reproached for over 150 trillion karbovantsi [K] circulating beyond banks and for the considerable portion of this money working for the shadow economy. However, only 3.6 percent of the cash put into circulation in May has not been returned to the banks. Some 96 percent of this cash has undergone the complete financial turnover: Taxes on this money have been collected; this cash has been legally registered in accounts and has again been returned to the banking system. Money gradually becomes money. We now observe the first signs of the process when our national currency is becoming a universal commodity [universalnyy tovar], the primary nature of which is stability.

About the Shadow Economy

I am not an investigator, I am a banker. Do you want to return the shadow money? This could be achieved through economic methods in 80 percent of the cases. The National Bank has covered a specific portion of the road in this direction. By stabilizing our national currency, we suspended the withdrawal of cash that serviced the shadow sector. The second problem is as follows: Banks never receive weak

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currency. Given the 15-percent and higher inflation, the weak currency immediately begins to work on a "hot-chestnut" principle (when a chestnut is quickly thrown from one hand to another — **editorial note**). Now, when an individual purchases 10 buckets, he does so not because he needs all of them badly, but because his wage will be devalued in a month. Only stable currency makes it possible to keep one's wealth in the form of money. Beginning in March of this year, we have been observing the symptoms of an increase in commercial banks' deposits — so, people have begun to deposit their money in banks.

The nature of the shadow economy is not just criminal. Our state enterprises — unable to work efficiently in current economic conditions — constitute the absolute majority among the Ukrainian shadow sector enterprises. Tell me, please, how can the state — possessing its national currency — come to a situation when some 80-90 percent of national economic operations are conducted on a barter basis? The answer is simple: Barter is a way to avoid taxes. Another example: There is a fixed foreign currency rate, due to which it is unprofitable for an exporter to legalize his foreign currency revenues. Everything that an entrepreneur earned — for example, when he sold metal — he is obliged to bring to a tender's committee [tendernyy komitet] and to sell three times cheaper. Given such conditions, a normal individual begins to think logically: He begins to create a mechanism to leave the earned foreign currency abroad (and this is done at a time when Ukraine has a $5-billion deficit in its national payment balance).

UKRAYINA MOLODA file: The Coordinating Council for Combating Corruption and Organized Crime will soon hear the Ukrainian National Bank statement on ....

In general, three basic issues will be submitted for consideration by this council.

The first issue is the organization of a credit system. How to create a legal basis for the functioning of credit money? This year alone, the National Bank issued over 60 documents regulating the development of the credit system, of credit and interest rate theories. We have concluded an agreement — on a flexible anchor [myakyy yakir] of an interest rate against the National Bank's discount rate — with commercial banks. We do not have a developed financial market still, so, a commercial bank that operates, for example, in Sambirsky Rayon in Lvov Oblast and grants credits does not know the genuine price of money. Therefore, the National Bank provides the level of a positive discount rate that protects money from devaluation; commercial banks in turn tie in their credit interest rates with the National Bank's discount credit rate and do not sell credits at "market" prices. We do not require any specially fixed interest rate, we simply regulate the mechanism for granting credits.

The second issue is currency regulation. There is a great problem in repatriating foreign currency revenues earned in previous years. The National Bank is just one of bodies that guarantee the normalization of the currency market; our bank is accountable for this issue to the Coordinating Council. We support the position that the repatriation of foreign currency revenues to Ukraine can be carried out only through the stabilization of the national currency.

The third issue is the system of payments [platizhna model]. I guarantee that we now have no fake advices and no phony banking payment documents, although it is understandable that no payment system is absolutely immune against the penetration of phony documents into the payments turnover. Our experts do not stop working on the modification of the National Bank payments system. The only payments system — recommended by the World Bank now for use in Eastern Europe and the CIS states — is the Ukrainian payments system that was developed by the National Bank and that functions at its level.

About the Hryvnya

UKRAYINA MOLODA file: When the Ukrainian president visited Cherkassy, he assumed that the hryvnya could be introduced in the fall of this year.

We should keep specific things in mind. At first, let us specify: Do we implement the monetary reform or do we exchange monetary units? The monetary reform is the culmination of economic activities of the state. A simple change in the name of money does not affect the economic climate. At the time — in 1993-94 — we were forced to introduce a market price for the dollar. Had this not been done, the U.S. monetary unit would have had the same case history as our kupon.

Before we implement the monetary reform, we, first of all, must travel a lengthy path: We should end discussing pricing policy. Being no liberals in the pricing sector, we are creating a deficit budget that in turn threatens the opportunity to achieve a stable currency at some time. Second, we should finally specify our social policy: Undoubtedly the poor must be protected. The government, however, should develop a social program only when there are funds for this (in other words, if the government has genuine funds for a specific program). To propagandize a regular social concept without funds is nonsense. If I am not mistaken, over 100 decrees envisaging specific benefits have been issued in Ukraine.

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These documents embrace practically all sectors of our life (from transportation to holidays). If you have money, please, implement your program;, if you have no funds, compile at least a relevant draft balance. Macroeconomics is the balance economy [ekonomika balansiv].

With regard to the monetary reform mechanism, you realize that it is practically impossible to withdraw old monetary units and to exchange them for new ones within three days. Therefore, naturally, we assume that the kupon will enjoy a status of the state payment means on par with the hryvnya within a certain period of time. But only within a specific period of time, a short one. The final version of the monetary reform, however, does not envisage the functioning of two currencies (two accounting systems, respectively) on one material market [materialnyy rynok]. Forgive me, but are we still a third-world country with a small financial market? So, this implies that we cannot afford the luxury of testing different monetary reforms. ("It cannot be regarded as either moral or responsible when the government spends more than the country can afford, even if these are expenditures on expedient public objectives" — Margaret Thatcher).

About the Stabilization Fund

We are pursuing a specific policy to obtain resources for establishing a fund for the hryvnya reform in Ukraine. Perhaps, the National Bank in my person is one of the greatest skeptics regarding this issue. I do not imply the other members of our board agree, but I will voice my personal opinion this time. I will try to explain my position. If a budgetary imbalance emerges the first month the monetary reform is implemented, there is a danger that we will use the stabilization fund to correct the mistake; if something happens to the pension fund balance, the stabilization fund will again help. If we resolve all current issues through the stabilization fund (there are such opinions at various levels of state power) one should not begin implementing reform at all. The stabilization fund is virtually a psychological factor for reformers: If you impede your model of reform, for example at the phase of implementing a price liberalization program, (you will introduce new prices based on political concepts not on 1 June, but on 20 June and thus you will prolong the June inflation by 20 days), you will have at any rate a stabilization fund. You will be able to sell this fund's foreign currency at a stock exchange and to suppress the national inflation. But — this is the essence — if we do not have a strong, stable, and balanced state economic policy, no stabilization fund will not resolve our problems. Why have the Poles, the Estonians, and the Lithuanians not yet withdrawn a single dollar, a single kilogram of gold from their stabilization funds? Because they have created the most important stabilization fund — a sane economic policy. The fund that we call the stabilization fund — on which we place all our hopes — will amount to, forgive me, only 5 percent of the monetary mass. This will be sufficient to correct virtually one or two mistakes, but not an erroneous economic policy.

About the Savings Bank

When the Ukrainian banking system was formed, the Savings Bank was to fulfill a transitory [perekhidna] role on the monetary market. Its primary task was to accumulate the monetary resources of the people that were later to be automatically transferred to the state. The Savings Bank was not practically allowed to enter the interbank market. As a rule, when the state received money from the Savings Bank, it channeled this money to finance conservative — often simply utopian — projects of the type "we must buy much bread to feed the people." This financing had nothing in common with credits, and these projects did not have a pay back. Given such conditions, it was more and more difficult for the Savings Bank to operate. Several months ago, the National Bank held a few consultative meetings with the Savings Bank leadership to outline the Savings Bank penetration in the interbank market. In particular, from now on the Savings Bank will participate in developing the securities market. First of all, it will purchase government bonds that according to currency emission rules are guaranteed liquidity assets. On the other hand, such operations will aid to considerably strengthen the deposit market, because the deposits that are at issue here are really profitable.

About Foreign Currency

When we say that we will withdraw the dollar, I imply the sector that was officially recognized as the sector where the dollar works. Out of 1,900 market contractors who possessed foreign currency licenses, only 245 remain and the National Bank board has adopted a specific decision regarding them. If we do not consider the wholesale market, the dollar services only 0.5 percent of the retail market (someone thinks that it serves a bigger portion of this market). So, beginning 1 August, no Ukrainian structure will be granted licenses to conduct operations with commodities and to render services on a foreign currency basis.

There is, however, another market, the commodities market. The dollar is used here because it is more stable than the national currency. Until a more stable foreign currency exists on a par with the national one, there will be attempts to preserve one's wealth in this

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foreign currency. Why does a Pole who has dollars in his possession hurry to exchange them for zlotys? How can Estonia keep the stable rate of its kroon against the German mark over 34 months? Because a favorable climate for developing a stable national currency has been created there. Given such conditions, the dollar will never rule there. Understand, please, the National Bank does not force the dollar away from our flea markets (it is only possible to "force the dollar away" by economic means). We will restrict the dollar only in that sector where it works as a legal means of payment. How long the dollar will be used in Ukraine is a multifaceted issue. The answer to this question will depend on many factors — for example, on the excessive currency emission, on the excessive deficit, on the inconsistency in setting and liberalizing prices, and on the unreasonable social policy and the state subsidies policy as well. If these factors continue to occur in our economy, the temporary presence of the dollar in Ukraine will become permanent.

About Staff Changes in the National Bank

UKRAYINA MOLODA file: The Presidium of the Ukrainian Supreme Council approved the dismissal of Deputy National Bank Chairman Borys Ivanovych Markov from his post recently. It is well known that he was in charge of supervising banks, in other words, he oversaw commercial banks.

If you trust my words, I will say that the National Bank board has not been changed over the last two and a half years. With regard to my deputy for bank supervision, the decision of the presidium was approved at Borys Ivanovych's personal request. We, however, have offered him another job (also a high-level one) in the National Bank system. Markov is an expert and we do not want to lose him.

About the Independence of the National Bank

UKRAYINA MOLODA file: When Leonid Kuchma was Ukrainian prime minister, he launched several attempts to make the National Bank accountable to the government, but all of them were unsuccessful...

This is a philosophical problem. Independence is not granted.

A Ukrainian citizen must realize that it is possible to work effectively with only a stable, independent from politics, product — the national currency. Money services any political system, it is an apolitical commodity and any political force will win, if it does not undermine its money's health. When political problems are resolved through money, the issue of money stability emerges (money becomes involved in politics). Why should money be independent? Because it is a model [mirka], a standard. Do you want the standard of length to be dependent, one meter to be 95 centimeters based on political decisions? This implies chaos. This order can be achieved through the independence of an institute that implements "metric supervision" [metrychnyy nahlyad], or in this case — the National Bank.

The Ukrainian president stated in October of 1994 that he supports the National Bank's independence from the president, from the government, and from the legislature. I do not see now a political force that would seriously insist on making the National Bank accountable to it.

One more thing. The National Bank never produced its own economic policy, because this is not its function. It was the government that was always responsible for economic policy; we always went along with the government and provided the monetary mass for this policy. With regard to the formal side of the National Bank management, I can say the following: We compile our operations account, a balance account, and an account of the integrity [chystota] of the annual audit. An account, however, does not imply accountability to someone, but is sort of a logical completion of a financial year in any state. By the way, now, as never before, we are close to the concept of a reasonable independence for the National Bank.

"The economy is a method and its aim is to change the soul." (Margaret Thatcher)

About Politicians

Have a look at any currency rate after regular statements about monetary reform or currency emission are made. A relevant report is at first published in the press and in some two-three days certain groups win due to the increased dollar exchange rate. We are against such a policy.

About Currency Emission

Currency emission is a devaluation of a commodity with which commercial banks operate, or the devaluation of money. A bank can invest money in a commodity, but money simply becomes devalued due to inflation. To survive, banks then increase their prices for money, or their interest rates. But demand for an expensive banking commodity goes down in view of inflation. So, financial chaos begins. The way out? A moderate currency emission policy should be pursued. In case of need, a moratorium on credit investments should be introduced.

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About Monetarism

Do not call me a monetarist, though in fact I am one. But this word is like a profanity for us.

Turkmen Natural Gas Deliveries Suspended

WS2706092695 Kiev UKRINFORM in English 0702 GMT 27 Jun 95

[From the "Business News Weekly" feature No. 25, 19-25 Jun 95]

[FBIS Transcribed Text] According to information from Ukrhazprom, (the Ukrainian natural gas industry), natural gas deliveries to Ukraine under a contract signed between Turkmenistan and the Ukrainian state-owned joint stock company, Ukrresursy, have been suspended indefinitely.

According to officials from the Ukrainian State Committee for Crude Oil and Natural Gas (Derzhkomnaftohaz), the decision to suspend the contract is due to the fact that there is now an opportunity to redistribute natural gas deliveries among non-state-owned companies which have offered to purchase and pay for Turkmen natural gas under more favorable terms.

Turkmen natural gas delivery was completely cut off between June 1 and 10. Ukrhazprom officials say Turkmen natural gas is currently being delivered into Ukraine on contracts with non-state-owned firms.

About 281 million cubic meters of natural gas were delivered from Turkmenistan between June 1 and 23. According to the agreement between Turkmenistan and Ukrresursy, about 873 million cubic meters should have been delivered during that period.

Aircraft Carrier Said Unfit for Space Launches

WS2706092395 Lvov INFOBANK in English 0806 GMT 27 Jun 95

[From the "News Service" feature]

[FBIS Transcribed Text] Remodeling an unfinished Varyag aircraft carrier to a floating space launching pad is unrealistic, says Andriy Zhalko-Tytarenko, former Director of the National Space Agency. The idea is supported by management of the Mykolayiv shipbuilding plant which has launched the construction of the aircraft carrier back in the 1980's. In the opinion of the plant's engineers, to remodel an already finished hull will eventually be more profitable than just to scrap the vessel. However, Mr. Zhalko-Tytarenko believes the whole inner structure should be rebuilt to adapt the vessel to the new mission. The main hurdle is unsteady upper deck, sufficient for aircraft but inadequate for space launches.

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Belarus

Lukashenka Calls For 'Cardinal' Changes in Army

LD2606185395 Moscow INTERFAX in English 1733 GMT 26 Jun 95

[FBIS Transcribed Text] MINSK, June 26 (INTERFAX-WEST) — Belarussian President Alyaksandr Lukashenka has called for cardinal changes in the country's army instead of mere troop cuts. He spoke at a full meeting of senior Defense Ministry officials on Monday where the focus was the state of the army and ways of reforming it.

Acting Defense Minister General Lieutenant Leonid Maltsev put the army's strength at 153,840, adding that 90,400 of this number were rank-and-file servicemen. After planned cutbacks, the country's army will be made up of 60,000 troops and 18,000 technical staff. He said the army was 8 percent undermanned in terms of officers and 7 percent as regards privates, but that manning would increase 97 percent by the close of this spring's call up.

Lukashenka said plans were underway to reorganize the country's airborne troops with the aim of creating a mobile force.

KGB Chief on Elections, Crime, Corruption

WS2706095295 Minsk BELAPAN in English 0805 GMT 27 Jun 95

["Exclusive" interview with Belarusian KGB Chairman Uladzimir Yahoraw by unidentified BELAPAN reporter; place and date not given — from the "Analytical Bulletin" feature No. 37 21-27 June]

[FBIS Transcribed Text] [Reporter] Mr. Yahoraw, with your permission I would like to talk about problems concerning the internal life of the Republic. As a newly elected MP of the Supreme Soviet you will have to make a decision concerning your future place of work. What will be your choice?

[Yahoraw] According to existing legislation in the Republic, if a person appointed to a post by the President, and moreover with the approval of the Supreme Soviet, is elected as an MP, then he cannot fulfill this post. Therefore after the confirmation of my authority as an MP at the first session I will leave my post and transfer to work on a professional basis in parliament. This also concerns other people appointed directly by the President, and they will also be obliged to make this choice. Incidentally, when I agreed to be balloted as a candidate to an MP, I wrote an announcement in the Central Electoral Commission in which I obliged myself to leave my currently occupied position if I were elected.

[Reporter] How do you relate to the question on the by-elections to the Supreme Soviet and the periods in which they are to be held?

[Yahoraw] It seems to me that today for all branches of power it would be most consistent with the law to hold by-elections to the Supreme Soviet of the thirteenth convocation as soon as possible, and meanwhile to find more effective means to summon citizens to take part in them. Of course, this could have been done both in the first and second rounds of the elections, but, evidently, not all opportunities in the way of organisation were used. Citizens should take part in the elections, following this, naturally, and make a personal choice as to for whom to vote. Participation in elections should be a constitutional duty.

[Reporter] Just before the elections the film "Hatred: the Children of the Lie" was shown on television, in which the authors touched upon the theme of Kurapaty [site of alleged Stalinist massacre] and which was received ambiguously by the public. Is the Committee for State Security today in a condition to clarify everything in this question, furthermore stopping all attempts from whichever side they come to reap some sort of political capital from the affair at Kurapaty?

[Yahoraw] The Committee of State Security has no exhaustive information or definitive conclusions. There are various kinds of proposals, there is extremely curious information, some sort of material evidence, proof, in particular, that at this time people were driven to Kurapaty from various places and, maybe, even from abroad. But in any case it is still early to clarify this matter. It is another matter to deal with it more intensively, in order to calm, finally, public opinion, telling the whole truth about Kurapaty, whatever it may be.

[Reporter] The Minister of Internal Affairs Yuriy Zakharenka recently expressed concern about the situation forming at the eastern border of the Republic, and announced that he would go to the President and the government with the suggestion to organise departments of road militia at customs posts, liquidated according to agreements with Russia. What exactly is happening now at the border with our eastern neighbour?

[Yahoraw] We are distributing information on the fact that from the eastern areas of the Republic the uncontrolled export of foodstuffs and some goods in short supply to Russia has begun. At the present time there is a danger that this process will increase in the future. I am afraid that in the eastern districts of the Republic we may have to again return to controlled distribution. Therefore the Minister of Internal Affairs has my full support, for anyone can be removed from

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there: border guards, customs officials, — but the militia must be present at the border. The completely uncontrolled entry of criminal elements has begun. And if today we ourselves have such violent crimes as hired killing, then, believe me, in the future their number will grow. And the posts of road militia can fulfill any functions, including, when necessary, customs. If we remove customs and border control, that means that an equalisation of prices should be carried out, in order that economic measures do not give people the opportunity to make dishonest gains.

[Reporter] Does the President know about the situation in the east of Belarus or that the Russian side is still carrying out customs checks on several journeys and airplanes coming from the Republic?

[Yahoraw] Naturally. And the head of state will take the necessary measures.

[Reporter] Does the Committee for State Security bear a relation to the revelation of violations of the law in the Ministry of Defence of the Republic?

[Yahoraw] It does — to questions concerning the area of competence of the Committee.

[Reporter] How would you comment on the resignation of the Minister of Defence Anatol Kastenka?

[Yahoraw] Criminal matters according to abuses which took place in the Ministry of Defence at the moment are under investigation. Many surnames are involved, and Kastenka is the minister. When criminal actions occur in a department subordinate to you, this must be answered for. Unfortunately, the whole time the Belarusian army has existed, coinciding with the period of its reformation, the Armed Forces were a state within a state, where the corresponding moods prevailed, still cherished, incidentally, by certain people right up till now. And these "certain people" still cannot get accustomed to the fact that now it is necessary to behave and act completely differently. In general, I do not think that at the end of the investigation the question will be raised as to the return of Kastenka to his post.

[Reporter] At the last sitting of the meeting the head of state expressed a series of reproaches as regards the law-enforcement system of the Republic. To what extent do you accept them?

[Yahoraw] I agree with those remarks which were expressed as regards the Committee for State Security, the part that we have not yet penetrated, as they say, into all pores of the corrupt layers, all criminal communities and especially in "white-gaters," and we do not always have the full picture in the financial-economic sphere. [sentence as received] It is difficult not to agree with this. However, like everyone under new conditions, when new types of crimes are appearing with which earlier we did not have to deal, we are learning, and the omissions and shortcomings we have in work are gradually being wiped out.

Moldova

Yevnevich Guarantees Safety of Russian Weapons

LD2606171395 Moscow INTERFAX in English 1312 GMT 26 Jun 95

[FBIS Transcribed Text] CHISINAU, June 26 (INTERFAX) — Major-General Valeriy Yevnevich, head of the Russian Defense Ministry's operations group in the Dniester Region, stated that the safety of the Russian armaments in the region would be guaranteed. He told INTERFAX in the Chisinau airport while welcoming Defense Minister Pavel Grachev Monday that "the crime rate in Dniester is not as high as it is believed."

"The criminal groups are not so stupid as to steal obsolete ammunition," he said. "Even skilled specialists find it difficult to deal with it. So, the criminals will not assault ammunition depots. It's ridiculous!" said Yevnevich.

Yevnevich, who has just taken over from General Lebed, announced that he has no disagreements with the local authorities. He said he had met with the leaders of both Moldova and Dniester, and that all problems were being tackled through talks.

Grachev Arrives in Dniester After Talks in Chisinau

LD2606123295 Moscow ITAR-TASS World Service in Russian 1145 GMT 26 Jun 95

[By ITAR-TASS correspondents Valeriy Demidetskiy and Anatoliy Yurkin]

[FBIS Translated Text] Tiraspol, 26 Jun (ITAR-TASS) — Russian Defense Minister Pavel Grachev arrived in Tiraspol today. He will examine the situation in the operational group administering the activities of Russian Federation servicemen in the Dniester region and will meet with servicemen and members of their families.

Pavel Grachev's working visit to the Republic of Moldova was crowned by a meeting with the republic's president, Mircea Snegur. General Konstantin Kobets, Russia's deputy defense minister and chief military inspector of the Russian Federation, who attended the meeting, told an ITAR-TASS correspondent that it took place in an atmosphere of mutual understanding and constructiveness. According to him, one of the main subjects for discussion was the situation of the Russian

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troops on the republic's territory. At the same time, he said, they took account of the interests of both the Russian and the Moldovan sides in the emerging structure of European security after the end of the "cold war".

Pavel Grachev and members of the Russian delegation will meet with the Moldovan defense minister this afternoon. They are expected to discuss military and technical matters and other problems of a military nature.

Snegur, Grachev Hold Talks

AU2706082895 Chisinau INFOTAG in English 1905 GMT 26 Jun 95

[FBIS Transcribed Text] Chisinau INFOTAG, 26/6/1995 — Problems relating to withdrawal of machinery and ammunition of the former 14th Russian Army will be in the focus of attention at the Moldovan Russian summit to be held in Moscow on 28 June, President Mircea Snegur stated at today's meeting with Russian Defense Minister Pavel Grachev, which was dedicated to negotiating the same problems.

Grachev stated that the sides should proceed from the Army Withdrawal Agreement signed between the two countries last year. The document envisages a three-phase removal of the troops. Two first phases envisage withdrawal of armaments and machinery, and the third one the evacuation of personnel.

The defense minister stressed that no staff reduction is envisioned before the agreement implementation, for such a reduction could deteriorate the troops' combat efficiency and arsenal. He reminded that the agreement shall come into force only after its ratification by the Russian Parliament.

Mr. Grachev said to journalists that he had informed Mircea Snegur about prospects of cooperation between the two defense ministries. In his words, Snegur approved of the plans, including a possibility to train officers for Moldova in Russia. Details of such a cooperation will be discussed by both countries' military experts.

Grachev on Withdrawal of Russian Weapons

LD2606161095 Moscow Russian Television Network in Russian 1300 GMT 26 Jun 95

[From the "Vesti" newscast]

[FBIS Translated Text] Russian Defense Minister Pavel Grachev arrived in Moldova on a working visit today. The aim of the visit is to discuss military and political problems relating to the stationing of Russian forces on the territory of Moldova. The minister met Moldovan President Mircea Snegur today. During the visit Grachev will visit the Dniester region where the 59th Guards Division and other military units are stationed. The minister's visit is taking place on the eve of the upcoming meeting between the presidents of Russia and Moldova, which will take place in Moscow on 28 June.

[Begin recording] [Unidentified correspondent] What is your personal position on the agreement on withdrawal of the army?

[Grachev] Let us agree that the [Moldovan] defense minister and I will hold a brief news conference at the end of my visit and then I will reply to this question.

[Correspondent] When exactly does the news conference take place, this evening or tomorrow before the departure?

[Grachev] I think that the news conference is expected to be held here tomorrow just before the departure.

[Correspondent] In the conditions when all the sides concerned — Russia, Moldova, and Ukraine — are demanding guarantees for the safekeeping of the weaponry that is kept in Rybnitsa, is it possible to consider the possibility of resolving this issue in the context of the Partnership for Peace?

[Grachev] The NATO Partnership for Peace does not affect the safekeeping of armaments and weapons in this region at all. We will discuss this issue bilaterally and we will solve it. The only thing that I would like to say is that safekeeping has been ensured and will be ensured. As to the issue relating to withdrawal of military property to Russian territory, it will be agreed once and for all during this meeting, as well as during upcoming meetings. [end recording]

Grachev: Moscow Ready To Mediate

LD2606175495 Moscow INTERFAX in English 1522 GMT 26 Jun 95

[FBIS Transcribed Text] TIRASPOL, June 26 (INTERFAX) — If Russia is vested with the role of mediator for settling the conflict in the Transdniester region, Russia will do its best to prevent bloodshed in this region, Russian Defense Minister Pavel Grachev said on his arrival in Tiraspol today.

He said when meeting with the wives of officers of the former Russian 14th army and Tiraspol residents that "neither Moldovan President Mircea Snegur nor the Transdniester leaders are going to repeat the mistakes which have led to tragedy."

Grachev said the Russian troops stationed in the Transdniester Region would not be broken up. "Nobody is

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going to disperse them," he added. Grachev said several people from the command of the former 14th army would be let go in as a large command would not be needed.

Grachev said a Russian military base might be created on the basis of the former 14th army. "Moscow and Chisinau will discuss possible creation of a Russian military base in Moldova if the Moldovan leaders want to," he went on to say.

An INTERFAX correspondent reports that a picket of Tiraspol women met Grachev near the former 14th army's staff. They were holding placards reading, "The Moldovan Transdniester Republic is Russian soil," "Russian army in Moldovan Transdniester Republic Forever." They told the INTERFAX correspondent that they would not allow a single piece of arms from this region be shipped to Russia.

Grachev: Russian Troops 'Stabilizing Factor'

LD2606174895 Moscow ITAR-TASS World Service in Russian 1616 GMT 26 Jun 95

[By ITAR-TASS correspondents Vaieriy Demidetskiy, Anatoliy Yurkin]

[FBIS Translated Text] Tiraspol, 26 Jun — The Russian troops on the territory of the Dniester region of Moldova are a stabilizing factor and may occupy a prominent place within European security structure. This was stated today by Russian Defense Minister Pavel Grachev, who visited the 59th guards motorized infantry division of the Russian troops in the Dniester region as part of his trip to Moldova.

Pavel Grachev said the events of the past few months showed that NATO's eastward expansion and the North Atlantic alliance growth by incorporating central and eastern European countries makes Russia reconsider its conceptions on serving its national and state security interests.

These pronouncements formed the basis for today's discussions between Grachev and Moldovan President Mircea Snegur, the republic's other officials, and leaders of the Dniester region. Pavel Grachev stressed that his partners in the talks share the Russian party's stance on the need to consolidate cooperation in the military and political field, as well in the military and technical field. In everyone's opinion, this will allow to exclude the possibility of further armed conflicts on the territory of Moldova and in eastern Europe.

Pavel Grachev addressed the officers of the Russian troops in the Dniester region and highly appraised the troops' combat training and organization of service and living conditions. He said that "if the troops mind their own business and do not get involved in politics, then they will inevitably achieve success in their activities."

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Kazakhstan

Bonn Pledges 8 Million Marks for Ethnic Germans

LD2606162395 Almaty Kazakh Television First Program Network in Russian 1100 GMT 26 Jun 95

[FBIS Translated Text] The third meeting of the Kazakh-German intergovernmental commission on the question of the Germans living in the Republic of Kazakhstan ended today with the signing of a joint communique.

[Unidentified correspondent] The meeting began with a report from the co-chairmen of the German-Kazakhstan intergovernmental commission on the efforts of the Kazakh and German Governments to solve the issues relating to the Germans of Kazakhstan. During the exchange of opinions, Tulegen Zhukeyev made a speech for the Kazakh side, as did Walter Priesnitz, state secretary of the Ministry of the Interior of the Federal Republic of Germany, for the German side. The negotiating sides summed up the results of work on implementation of decisions coordinated earlier by the commission, and discussed the adoption of a number of new projects for 1995. The problems of Labor Army veterans, simplified citizenship procedures, taking certain documents out of Kazakhstan, and customs duties were practically solved at the meeting.

This year we are opening an 8 million German mark credit line to finance an ethnic and cultural revival program for the Germans of Kazakhstan, Walter Priesnitz said at the news conference that followed the meeting.

Noting the fruitful work, Tulegen Zhukeyev, the intergovernmental commission's Kazakh co-chairman, said that Kazakhstan's leadership is doing much so that the Germans of the Republic of Kazakhstan could keep their language and culture and strengthen themselves economically in this land. All the agreements reached during the work of the third meeting of the Kazakh-German intergovernmental commission have found their reflection in the joint communique that was signed, the text of which will be published fully in the press.

The next meeting of the commission will be held in Germany at the beginning of 1996.

Nazarbayev on Organized Crime Prevention

954F2571A Almaty KAZAKHSTANSKAYA PRAVDA in Russian 16 Jun 95 p 1

[KAZTAG report: "Combating Crime Should Be a Continuous Process—Not a Campaign. This Is the Only Way To Impose Order in the Country"]

[FBIS Translated Text] An expanded session of the task force on combating crime and corruption, chaired by President Nursultan Nazarbayev, was held on 15 May. The gathering heard the report on the course of the operational-preventive Operation Law and Order, which was launched exactly three months ago. Heads of ministries and agencies reported on progress in carrying out the tasks set for them by the head of the state. In particular, this included measures on abuse deterrence in the customs service's units, activities by private security and detective services in the republic, and organizing recreation and jobs for youth and school students during the summer.

Speaking at the meeting, N. Nazarbayev said that never in the history of the republic has there been such a long-term, large-scale action aimed at strengthening legality and public order. One can see that work is being done. There are encouraging results. However, in the president's opinion, the forms and methods for proceeding with this work need to be changed, because the crime rate keeps rising. While last year a decline in the number of crimes was registered in all categories, now only five oblasts—Aktyubinsk, Atyrau, East- Kazakhstan, Zhezkazgan, and Pavlodar—were able to maintain their positions. In all others, there has been a considerable increase. In Akmola, Taldykorgan, Semipalatinsk, and South-Kazakhstan Oblasts by 15 percent; in North-Kazakhstan Oblast by one-quarter; and in Kokshetau Oblast by one-third.

Heads of law enforcement organs, said the head of state, keep telling us that the rise in the crime rate is the result of their active actions in the area of uncovering illegal possession of arms, drugs, and other hidden types of crime. But why then is there an increase in the number of premeditated murders, grave bodily harm, rape, and theft? Who has looked into this? What are the task forces responsible for the implementation of Operation Law and Order doing on the local level?

It is not my intention to blame anyone for the increase in the occurrence of crime—this is a social phenomenon, emphasized the president. But people will be held to answer for the failure to organize a counteroffensive again crime. To seriously reduce crime, it is not enough to send armed patrols to public places. This has only a psychological effect. The time has long come to move on to individual prevention of crime, working with people predisposed to commission of crime. At one of the task force meetings, the task was set to strengthen preventive work through precinct police inspectors. And then what? The rate of repeat offenses rose from 3 to 18 percent this year. A good half of precinct inspectors do not carry out their direct duty in the area of individual prevention of crime. People with previous convictions, those who have a negative influence on the state of law and order, are not being tightly monitored. But this is where it all should start. We have conducted substantial

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work in opening preventive medical facilities, spent considerable means to this end, but no results are visible in this area either—"drunken" crime is growing.

We talk a lot but do little to reduce juvenile crime, noted N. Nazarbayev. There is no interaction between the Ministry of Youth Affairs, Tourism, and Sports, the MVD [Ministry of Internal Affairs] and the General Procuracy. The Procuracy has eliminated altogether the unit for overseeing compliance with the laws on juveniles, apparently in the belief that juvenile crime is no longer a problem. And the result was not long in coming. While in the past we saw an annual decline—albeit not significant—in the rate of juvenile crime, now it is rising.

The president particularly emphasized that the main yardstick for all work with crime should be the inevitability of punishment for the crime committed. But, in this respect the situation is not very comforting either. Only 57 percent of the crimes handled by the criminal investigations division are solved. This year 30,000 crimes remained unsolved, and approximately as many criminals—unpunished. Local officials begin to show signs of activity only when commissions from Almaty visit the oblasts. One can sense that some law enforcement organs officials perceive Operation Law and Order as another temporary campaign. Three phases of the operation have been implemented, and each subsequent one produced indicators worse than the preceding one. And on all main positions at that: crime-solving rate, criminal arrests, and the number of those against whom criminal charges are brought. Why do we not relieve officials of their duties after they fail in their area of work? Submit proposals, said the president—up to the point of firing all negligent top officials, from the local to the ministerial level.

An unprejudiced conversation took place at the session on the subject of the customs service. Not a single agency causes as many complaints, noted N. Nazarbayev, as the customs service. The main problem—unsatisfactory selection and assignment of personnel. One in six employees is fired for cause. Over the past year and a half, criminal charges were filed against 70 customs employees. The bulk are for bribe-taking. So, in fact, an official representing the state robs the people in its name. At the same time, many courts treat customs officials' crimes very mildly. For instance, in Aktyubinsk Oblast three customs officers were sentenced to five-year probation for bribe-taking. With this kind of inevitability of punishment we have a long way to go to proper order.

The situation in the state motor-vehicle inspection is no better, according to the president. During an out-of-turn certification, more than 600 negligent employees lost their "cushy" jobs, and about 120 were fired from internal affairs organs altogether. The process of self-cleansing is getting underway. It should be applied more actively in all agencies. One cannot strengthen law and order without putting things in order in one's own house first.

A long discussion at the meeting was devoted to private detective and security activities. The General Procuracy and the MVD were tasked once again with looking in detail into the activities of the current commercial security services, bodyguards, and cargo escorts.

A well-founded concern was voiced over the state of work with youth. Nobody actually is in charge of organizing in detail its recreation, said the president. Clubs, extracurricular facilities, and sports facilities have been given to commercial structures for use as stores or offices. The DOSAAF [Voluntary Society for the Promotion of the Army, Aviation, and Navy] and sports societies went commercial. So all that is left for young people is to band into racketeering groups or bodyguard teams. Over the first five months of this year alone, juveniles have committed 5,000 crimes. One in 10 crimes in the republic is committed by juveniles, half of them as part of criminal groups.

In this connection the ministries of youth affairs, tourism, and sports, education, labor, internal affairs, and other interested agencies were instructed to adjust within a month the program of joint effort to prevent law-breaking and crime among youth. Special attention should be paid in this respect to organizing recreation for young people, forming youth organizations and movements, and creating a job market for young people.

At the meeting, the head of the state assigned other concrete tasks within the scope of the discussed problems. He also noted that instructions and decisions of the task force or the council for combating crime should be treated with equal measure of responsibility regardless of under whose chairmanship they are made.

In summation, the president once again emphasized that combating crime is not a social task—it is a political one, and everybody should be a part of the effort to deal with it. Work here should proceed on a continuous basis, not by campaign. This is the only way to impose order in the state.

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KNB Official on Organized Crime, Tbilisi

954F2580A Almaty PANORAMA in Russian
17 Jun 95 No 24, p 6

[Interview with Major General Dzhenisbek Dzhumanbekov, deputy chairman of the National Security Committee of the Republic of Kazakhstan, by Yaroslav Razumov; place and date not given: "General Dzhumanbekov, National Security Committee: The Special Services of the CIS Countries Are Faced with the Need To Unite the Potential for Taking Measures To Reduce Crime"]

[FBIS Translated Text] Major General Dzhenisbek Dzhumanbekov, deputy chairman of the KNB RK [National Security Committee of the Republic of Kazakhstan], answers PANORAMA's questions.

[Razumov] What brought about the need for the meeting in Georgia of representatives of the special services of the CIS? After all, a bilateral agreement on cooperation exists between the services of the different republics. Could this meeting not become a prologue to the creation of a kind of interrepublic structure that will unite the security officers of the CIS countries?

[Dzhumanbekov] The meeting of the leaders of the security and special services organs of the 12 CIS member states in Tbilisi was preceded by a conference of these departments in Moscow in March 1995 regarding questions of the organization of multilateral cooperation in the sphere of the fight against organized crime. It served as a component part of that great work that the chiefs of state and governments of our countries are conducting to intensify integration within the framework of the Commonwealth.

Despite the fact that a bilateral agreement on collaboration and cooperation exists between a majority of the CIS special services, first and foremost concerning the fight against international terrorism, organized forms of crime, illegal circulation of narcotics and weapons, and also control over nuclear technologies, an urgent need has arisen for multilateral collaboration and unification of the potential for undertaking specific measures to lower the increase in crime, which represents a threat to both the national security of each CIS member state and to the interests of the Commonwealth as a whole.

A particular threat is caused by the spread of the activity of criminal elements in the Commonwealth states beyond the limits of national borders and their consolidation with transnational criminal groups that are found in the course of the general trend of development of organized crime in the world.

In developing the idea of collaboration set forth at the Moscow conference, the leaders of the special services of the CIS member states on 31 May 1995 concluded a Treaty on Collaboration in the Fight against Organized Crime, and they also signed a number of protocols that envision the creation of a mechanism for its implementation. A decision was made to make the conference of leaders continuously operating, and working organs were established to ensure its activity. This does not mean that an interrepublic structure is being established. In this case it is rather a unification of efforts to fight crime that does not recognize borders and the creation of the most favorable conditions for this on an equal footing.

[Razumov] At one time the press reported that cases have been noted when the special services of some CIS countries engaged in intelligence activity on the territory of other CIS states. Were problems such as these examined at the meeting in Georgia?

[Dzhumanbekov] These problems were not specially examined at the last conference in Tbilisi. Incidentally, we will note that within the framework of a majority of the bilateral agreements concluded earlier between the security and special services organs of the CIS member states, intelligence activity against each other was mutually renounced.

[Razumov] In their speeches, the leaders of the special services of the CIS countries mentioned repeatedly that after the disintegration of the USSR foreign colleagues not only did not curtail their work, but even activated it with respect to countries of the former Union. Were problems associated with this examined at the meeting in Georgia?

[Dzhumanbekov] The questions discussed at the Tbilisi conference fully coincided with the announced theme of the fight against organized crime.

[Razumov] All of the new independent states are encountering the problem of a progressive increase in organized crime. Will the results of the meeting on collaboration in this direction help the special services?

[Dzhumanbekov] We are hoping for this. A significant part of the bilateral agreements on collaboration between our departments suffered from the fact that the mechanism for putting them into practice was either absent or was insufficiently developed. Principal attention was paid to this question in the documents that were signed in Tbilisi. The spheres of joint activity in the fight against organized crime were clearly specified. As was already said above, to coordinate the activity of the special services and to implement the multilateral treaty, and to elaborate common conceptual approaches to the resolution of problems that arise, the conference of leaders received the status of a permanently operating

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organ, its chairman was chosen, a secretariat, commissions and working groups of experts were organized, and a common data bank on organized crime is being created.

[Razumov] Cases are known when the special services of some states have arrested citizens of their own countries on the territory of other CIS countries. This caused a sharp reaction on the part of legal protection organizations. How will problems of this nature be resolved now?

[Dzhumanbekov] In the preparation of the multinational treaty, pertinent documents of the Commonwealth of Independent States, the United Nations Organization, and other international organizations concerning the fight against crime were taken into account. The parties came to an agreement to implement collaboration and cooperation on the basis of generally recognized principles and norms of international law. This means that the special services are pledging themselves not to conduct any kind of operational- investigative and other operations on the territory of other CIS countries without coordination and cooperation with local security organs, and also without the existence of sanctions of the procurators general of both states. In its turn, the local special service must render assistance in a legal request of parties to this treaty.

Availing myself of the occasion that you are taking this interview just before 20 June of this year, the day the KNB RK was organized, I would like to extend my best wishes to all of your colleagues and veterans of the National Security Committee on our professional holiday, and to wish them good health, family well-being, and also, despite the objective difficulties that exist, success in guaranteeing the reliable security of our young state.

Tokpakbayev on Control, Functions of KNB

954F2602A Almaty KAZAKHSTANSKAYA PRAVDA in Russian 21 Jun 95 p 2

[Report by Gulnara Rakhmetova on B. Tokpakbayev news conference: "Work Days and Holidays of the Committee for National Security"]

[FBIS Translated Text] Citizens of the former Union still remember the all-powerful KGB, which was concerned not only with safeguarding the state against all encroachments from outside but to a great extent with the struggle against dissidence within the country. Perestroyka, with its characteristic recklessness, struck a palpable blow at this system, as a result of which the glory of both the institution itself and of its loyal soldiers—the security officers—faded somewhat. Things were overdone, of course, inasmuch as the world did not come to an end with the totalitarian state, and this means a struggle for survival and for first place, for spheres of influence and new territories....

For this reason each state that emerged on the expanses of the USSR began to create its own system for national security, first declaring a renunciation of the ideological functions of the KGB and its methods of control over the citizens of its country. Our Kazakhstan authorities also are now celebrating their birthday. The law "Organs of National Security of the Republic of Kazakhstan" appeared three years ago. A news conference held by S.B. Tokpakbayev, chairman of the KNB [Committee for National Security], was devoted to this date.

Answering journalists' questions, the lieutenant general tried to describe within the bounds of what was permissible the work of his department in the sphere of intelligence, counterintelligence, information support, the protection of secrets, and so forth. Of course, we wanted to know how many agents of the special services and of which states and with what assignments had been uncovered. But the professional was sparing with his information.

It was said only that 15 agents from the far abroad had been exposed, six instances of the recruitment of our fellow citizens had been recorded, and the movement of foreign citizens on the territory of Kazakhstan had been regulated. The chairman of the KNB said also that his department had a data bank on possible partners of the republic among forcign firms.

We obtained more detailed information concerning the joint activity of the KNB and the MVD and Public Prosecutor's Office authorities, [word illegible] fight against organized crime is a temporary assignment of the special services.

Some 475 criminal proceedings have been instituted and 515 instances of the illegal exportation of raw material, equipment, and material assets totaling 7.5 billion tenge have been interdicted in the three years on the basis of the committee's material. Some 167 organized crime groups employing violent methods—2,500 persons—have been exposed and more than 400 firearms, a large quantity of ammunition, and approximately three tonnes of narcotics have been confiscated in the course of the law and order operational-search measures alone.

It was interesting to learn that information obtained by the KNB authorities has made it possible to annul or make adjustments to more than 200 contracts with foreign firms, when patently disadvantageous conditions were being imposed on the republic. This has prevented a loss of $1 billion and attracted into the republic as investments $26.6 million.

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Answering a question from your correspondent as to whether the national security authorities had managed to overcome personnel turnover, which increased sharply following the disintegration of the USSR, the KNB chairman responded in the affirmative:

"The process has been halted, and a great deal of work on the selection and training of personnel is under way. Two institutes have been created on the basis of existing educational institutions."

"In connection with the de-ideologization of the security authorities, will not the district components of the KNB, particularly in locations far from the state border, be abolished?"

"Many people continue to believe that the KNB authorities have a powerful apparatus, but this is not the case. The personnel of the capital's Internal Affairs Administration is today superior in numbers to all arms of the KNB of the republic. Three to five persons operate in each district, the officers have undergone recertification, and some have been dismissed, and the district departments have been given new assignments."

At the request of KAZAKHSTANSKAYA PRAVDA S.B. Tokpakbayev shared his vision of an open society:

"For 70 years the security authorities were engaged in ideological work and interfered in all spheres of the life of the state and its citizens. But today we are coming to understand that there should be in the state an opposition operating legally, within the framework of the law. And I am for a strong opposition. But since the state has secrets, there should be a body protecting them also. This body should be under the control of popularly elected authorities, consequently, of the people themselves."

Karaganda Metallurgical Combine Scandal

954F2619A Almaty KARAVAN-BLITS in Russian 22 Jun 95 No 96, p 3

[Commentary by Sergey Tunik: "Who Does Not Want an Audit at the Combine: The Scandal Around the Karaganda Metallurgical Combine—a Version"]

[FBIS Translated Text] ALMATY—Why did the government contract with the joint enterprise Fest-Alpine Kazakhstan to take over management of the Karaganda Metallurgical Combine [Karmet] fall through? I tried for two days to reach Minister of Industry and Trade Garri Shtoyk but continued to run into a protective wall of his secretaries and aides. They all had the same explanation: The minister is busy; he is in a conference, at a meeting, receiving a foreign delegation... Well, while officials so far do not want to identify their position, we have no shortage of versions already put forward by independent lawyers and observers. It should be mentioned that these versions explain to a large extent the inaccessibility of the position of the ministry currently involved in a scandal.

Anyway, VERSION ONE. If one reads attentively the provisions in the management agreement between the republic GKI [State Committee for the Administration of State Property] and Fest-Alpine Kazakhstan, one will discover these interesting lines: *"...the managing company undertakes an obligation to conduct before 1 July an audit with the participation of independent experts, on the basis of which a realistic evaluation of the enterprise's financial condition will be obtained... Conducting with the participation of the management firm's representatives and* **independent** *(emphasis by me—S.T.)... the legality of enterprise managers' activities in order to determine the measure of their responsibility with respect to contracts and management acts..."*

At the same time, the management contract with the United Steel International group envisages only a "state investigation of the activities of the enterprise's previous management in order to determine whether its actions had been legal, as well as determine the latter's responsibility for contracts and actions related to enterprise management..."

With this, we should recall the words Bulat Abilov said at that very first press conference from where the scandal began to unfold:

"...There were three sets of books. In different banks... Nobody reported to anybody. And this system was in existence for several years. Which means that someone still wants it to go on, someone still benefits from it..."

Let us imagine for a minute what would happen if an independent audit unearthed compromising materials on Karmet's former and current management. And where that chain would lead from there... Which means, somebody does not want this audit? Who exactly? This question probably should be addressed to competent organs.

Interestingly, some observers directly link financial violations at the combine to the two-year-old murder of the combine's then-general director Aleksandr Svichinskiy.

SECOND VERSION. At his press conference, Bulat Abilov said the following. I quote: *"...let Mr. Mette explain his position as to why he is lobbying for Eysenberg's group. To the best of our knowledge, this company in 1993 delivered to South-Kazakhstan Oblast $60 million worth of drip-irrigation equipment, which did not work for even a day, and, according to our data, the Cabinet of Ministers currently owes this company $23*

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million. Perhaps they have agreed that this debt will be canceled if they deliver the Karmet?"

In this connection, another quote from the contract for the management of the Kazakhstani Magnitka [Magnitogorsk Metallurgical Combine] with the group of American companies:

"...each party separately is not responsible for the actions or failings of other parties." That is, this relieves the management company of any responsibility. And if, for instance, money is transferred to one of the three companies in the group and it later declares bankruptcy, the republic government not only will be unable to recover money from it but also will be unable to break the contract with the bankrupt's colleagues...

Whose bright idea was this clause? But, actually, the contract has many other lines that are puzzling, to say the least. And at this point there are more questions than answers.

* * *

The scandal around the Karaganda Metallurgical Combine is snowballing—new details keep coming. As we learned, the Butya company management passed to one of independent television stations in Temirtau a videotape with the recording of the press conference of Deputy Prime Minister Vitaliy Mette and the management of the Fest-Alpine Kazakhstan company.

The reaction of local authorities was instantaneous: First, deputy head of city administration Zharaz Shumayev simply called the head of the television company and demanded to take this recording off the air and then showed up at the station in person—to make sure that his order was carried out. He lost this standoff, and the whole city saw the item. The station personnel, however, received numerous calls demanding them to stop the broadcast or otherwise they would come to regret it...

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Armenia

Karabakh 'Foreign Minister' on Peace Requirements

NC2606194595 Yerevan SNARK in English 1107 GMT 26 Jun 95

[FBIS Transcribed Text] Stepanakert, June 26 (SNARK)— Negotiating parties are likely to realize that political issues should be resolved in package, the NKR [Nagorno-Karabakh Republic] Foreign Minister, Arkadi Ghukasyan, said at a briefing today while summarizing the results of Helsinki round of talks on Nagorno-Karabakh in mediation of the OSCE Minsk group.

Reserves of preparing the Big Political Agreement on Nagorno-Karabakh are practically exhausted after Helsinki. Conflicting parties didn't reach consensus on the remaining complex political problems, said the Minister.

It is important for the Karabakh party at the talks to outline the contours of resolution to all political problems, first the status of Nagorno-Karabakh, he said. Otherwise no progress in settlement should be expected.

The Minister said that NKR delegation proposed Azerbaijan to determine the legal basis of talks on the status of Nagorno-Karabakh: either international, ethnical, acceptance or rejection of the former USSR legal heritage. NKR delegation presented a scheme, said Mr. Ghukasyan, which would help the Minsk Conference co-chairmen to develop the procedure of talks on this issue. Ultimately it includes three options of status: Nagorno-Karabakh is either an independent state, or enters Azerbaijan or Armenia. All political issues therefore should be discussed in the framework of a single option, pointed out the Minister.

Election Commission Seen as 'Scapegoat'

954F2626A Yerevan RESPUBLIKA ARMENIYA in Russian 22 Jun 95 p 1

[ARMENPRESS report: "Central Election Commission— 'Scapegoat'?"]

[FBIS Translated Text] Four appeals of representatives of the opposition concerning violations that are alleged to have occurred in the Central Election Commission have already been considered by the Arabkirskiy Court of the city of Yerevan. This was reported to an ARMENPRESS correspondent by Anait Yegiazaryan, the attorney representing the Central Election Commission's interests in court. Rulings dismissing them were rendered on all four. Appeals of parties that have been denied party-slate registration are next in line. The Central Election Commission is currently preparing the requisite documents for presentation to the court.

Ashot Manucharyan also was denied majority-list registration on 15 June owing to the number of invalid signatures. In the course of the check of Manucharyan's lists, 54 forged and 26 invalid signatures were discovered. According to Gagik Dzhangiryan, deputy chairman of the Central Election Commission, striking unanimity was displayed on this issue, since even the representatives of the opposition parties on the commission voted for the motion presented by Gurgen Boyadzhan to deny Ashot Manucharyan registration.

The violations and falsifications on the lists of certain representatives of the opposition are so obvious that they could be detected without any difficulty by any nonspecialist. In Gagik Dzhangiryan's opinion, the fact that the opposition is going in for patent forgery has been caused by a desire to "make the Central Election Commission a 'scapegoat,' onto which the whole blame for its undoubted defeat will be heaped."

Opposition Rally, Confrontation Chronicled

954F2627A Yerevan GOLOS ARMENII in Russian 22 Jun 95 p 1

[Report by GOLOS ARMENII journalists: "No Communication With the President of the Republic of Armenia. What Next?"]

[FBIS Translated Text] On the day of the meeting, Tuesday, our newspaper carried the question: "Will Mger Awake?" Judging by the fact that by six in the evening a record number of people for recent times had assembled in Theater Square and that subsequently more than 50,000 persons advanced in columns toward the presidential palace, the answer to the question we asked should be in the affirmative.

There was no public meeting as such on this occasion, it may be said. After several brief speeches, the people, at the call of the opposition, set off for the presidential palace to obtain an answer to the ultimatum presented at the Friday meeting. The people were met, as always, by a dismal police barrier. Members of the president's staff looked apprehensively out of the windows for a second and immediately disappeared. The first delegation of demonstrators sent to the Supreme Council building for an answer to the ultimatum returned empty-handed: Central Election Commission Chairman Amiryan refused to admit it.

The thousands of people surrounding the presidential palace decided to attempt to find an answer to the questions from the president, who was called the principal

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culprit of all the lawlessness (at an impromptu meeting outside the presidential palace "culprit" was, incidentally, of all the words heard about the president the mildest: The opinions were most diverse and were heard not just from the lips of those who had access to the microphones). But this delegation's visit was fruitless also. Members of the president's staff swore that Ter-Petrosyan was not in residence. They could not find him owing to... the poor telephone service. It does not have to be said with what shouting and whistling the crowd greeted this news.

So the authorities were yet again unwilling to enter into a dialogue with the people. And this means that the just demand for the election process to be returned to a democratic channel, for the exclusion of falsifications, and for the registration of all opposition parties and the grassroots organizations of individual candidates deprived of the right to take part in the elections because of the arbitrary actions of the dutiful instrument of the authorities—the Central Election Commission—remained unanswered.

Immediately after this, it was decided to continue the picketing of the presidential palace until the demands of the 10 opposition parties had been met.

After dark, the president was "found" after all. The burning of Levon Ter-Petrosyan in effigy created quite an eerie impression, of course. But when the authorities don't give a damn for all the commonly accepted rules of intercourse with their own people and when the law becomes a hollow sound, and force, the sole argument for confirming one's own rectitude, even the most extreme measures no longer seem impermissible.

...Toward midnight, when the staunchest types were left on the picket lines (several provocateurs had been removed from the crowd much earlier), it was ascertained that there are such in all age groups. The elderly, as was to have been expected, did not feel good, but, as distinct from previous times, the ambulance was prohibited from going to the spot and rendering assistance. The students sang "Kilikiya," the Dashnaks, "Yelir Dashnak Dro," and this entire discordant chorus sounded like "Let's join hands, friends"....

The members of our group of reporters made several rounds of the neighboring streets and parks. Despite the organizers' assurances that they would exclude all power methods of struggle, the authorities were seriously concerned. Not only police forces, evidently, were concentrated on Demirchyan Street and in Pushkin Garden. The police channel was silent, and the messages were most likely being sent by courier: Hyundai's were scurrying about the city all night long, performing their direct functions for the first time, perhaps.

The organizers of the picketing warned that if the authorities decided to attack people and remove the cordon, this would happen, in all likelihood, toward five in the morning, when many people would be overcome by sleep. And although a great accumulation of vehicles was observed in the night outside AOD[Armenian Pannational Movement] headquarters, there were no excesses.

Fresh police forces headed by Ayk Arutyunyan, first deputy minister of internal forces, had been brought up to the scene of the demonstration by morning. The figure of Vazgen Sarkisyan was glimpsed several times at the windows of the presidential palace. The leaders of the opposition appealed to the police officers to disobey illegal orders.

The time of the ultimatum to the authorities and the Central Election Commission had expired by the time that our issue was signed to the press. We will describe the further development of events in the next issue.

Opposition Claims, Goals Ridiculed

954F2625A Yerevan RESPUBLIKA ARMENIYA in Russian 22 Jun 95 p 1

[Article by Aram Abramyan: "Time To Jump From an Armored Train"]

[FBIS Translated Text] As Mr. Manucharyan's great predecessor used to say: Power, brothers, must be seized openly. And to carry out this extremely important task takes armored carriers and revolutionary masses who are prepared on instructions from their leaders to chew through the throat of any bourgeois and, obeying an ancient instinct, to steal back what has been stolen. I do not know if there were change offices in Mr. Ulyanov's time, but there were certainly stores, trade fairs, cafes, and restaurants, so there were plenty of things to steal. And they undoubtedly exist today as well. If, say, a crowd of 100 people attacks an ice cream parlor, each will get one leg of a stool. Thus, we see the embodiment of the precept of another of Mr. Manucharyan's predecessors—the immortal Poligraf Poligrafovich Sharikov—"divide everything up."

There are, to be sure, other purely bourgeois methods of fighting for power—developing some kind of logical political and economic program and trying to convince the voters that it, this program, is capable of solving all their problems. For example, if the opponents promise 18 hours of electricity a day during August-November of this year, it is necessary either to prove that this is pure garbage or to convince people that you can provide it for, say, 18.5 hours a day.

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But all this, I repeat, is acceptable in the "decaying imperialist West," and it requires, moreover, certain mental efforts. True Leninist-Sharikov types would take another path: "Down with the bourgeoisie, down with the intelligentsia! Long live the underclass, its Soviet instincts and destructive aspirations!"

Frequently one has occasion to hear and read that nobody intends to effect any revolution. I sincerely would like to believe that. But then certain statements, frankly, require explanation. For example, "We must get rid of the people in power, whether through elections or some other way" (Vazgen Manukyan, Teatralnaya Square, 16 June). And also: "Either the people will change those in power peacefully, if this is possible, or else this will be done by force, since all other paths have been closed off" (Ashot Manucharyan, SHRDZHAN, No. 20). Perhaps I am mistaken, but the following interpretation presses to the foreground: "We will try to win in the elections, but if the people do not vote for us, we will take another path." It is extremely insulting that people who seem to be in their right mind can make their tongues speak of this path after almost all the CIS countries have already taken it and we (God have mercy!) have avoided all that.

Further: "We will trample them down without even noticing how it happened because indeed we must travel our path" (Ashot Manucharyan, Teatralnaya Square, 16 June). One must assume that such outbursts are intended for the segment of the society which, to put it mildly, are not distinguished by their high intellectual level. (And intellectuals, incidentally, will remain silent; they will not dare condemn the appeals to trample anybody underfoot, fearing that some ardent orator on the square will accuse them of "venality").

On the threshold of the parliamentary elections, when the opposition has been given an opportunity on a completely legal basis, relying on the confidence of the voters, to obtain a majority in the National Assembly (minor violations and forgeries on one side or another will not change the overall picture), a certain part of them are striving to undermine the elections and, with the help of the aforementioned segment, create a revolutionary situation. There can be only one explanation here: a lack of confidence in their own forces. Today, as distinct from 1988-1990, it is impossible to win the elections without putting forth a serious program and instead merely rambling on about moral categories and swearing to one's own decency. With a normal, calm course of the election campaign and the elections themselves, such forces and individuals will hardly have a chance to succeed. What good are revolutionary masses and Sharikovian slogans.

Beginning in 1992, all the creative and scientific-theoretical potential of the opposition amounted to demands for the president's resignation. That same, extremely original slogan is being advanced today. Levon Ter-Petrosyan must resign... because Vazgen Manukyan wants to be president. Perhaps in childhood he had a lifelike dream, in which a six-winged seraph told him that he was the one who would lead the "chosen" nation. The reasons, to be sure, are valid. But why can Mr. Manukyan not wait a year and a half and win in the presidential elections over his rival, who, as the former prime minister himself asserts, is unanimously hated by all the people. Again the same lack of confidence...

The development of today's situation will provide a simple response to the following question: What percentage of the population of Armenia will compose the marginal mass that is prepared at the call of the revolutionary orators to destroy and trample on everything that falls under their feet. If this percentage is insignificant, we will have a state where the power changes regularly, once every four or five years, at the times stipulated by law. If this percentage is high, we will again have to deal with the sailors from the cruiser Aurora (in the Armenian version of 1990—"sharzhman tkherk"). Well, we are indeed a patient people. We will live through this as well.

Bagdasaryan on National Progress Party

954F2479A Yerevan VREMYA in Russian 31 May 95 p 3

[Interview with Albert Bagdasaryan by Naira Manucharova; place and date not given: "'I Have Never Been Attracted by the Role of Member of the Nomenklatura Rank and File'"]

[FBIS Translated Text] He is one of those deputies to whom if I turned from time to time for an explanation of an issue being discussed in parliament, I did so apprehensively. I invariably had to overcome some inner barrier: he seemed too abrupt, unpredictable.... There were frequently whispers about him in the lobbies, and there was no shortage of epithets. A fierce AOD-ite, a fanatic.... Such was his image, which could repel all but reporters from the semi-official press, perhaps.

I do not believe he has changed all that much since those times. The same sharply-worded opinions, the same implacability and recalcitrance. Only there is no way he can now be called an AOD-ite. Albert Bagdasaryan now represents the National Progress Party.

[Manucharova] Why National Progress, and what is considered progress? The departure from the AOD [Ar-

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menian National Movement] of Khachik Stamboltsyan and Albert Bagdasaryan?

[Bagdasaryan] The AOD, as an organization, has not remained true to its ideals, yet they were quite progressive: the creation of a strong independent state, recognition of the fact that this was the sole guarantee for the accomplishment of national tasks.... An estrangement, to which the policy pursued by the president contributed to a considerable extent, arose as of mid-1992 between the AOD and the people, who had created the movement. Having become the nomenklatura, members of the movement changed their former ideals and principles. In parallel with this, members of the former nomenklatura, for whom membership in the AOD began to "open the same doors" as did, under the communists, membership in the CPSU, joined the ranks of the movement. We, on the other hand, had no choice in leaving the movement but to record our commitment to the ideas thanks to which it had come into being. This is how National Progress arose. The party was registered in January of this year, but it was formed back in August 1994. Its nucleus was composed of former members of the board and representatives of area structures of the AOD.

[Manucharova] Aside from Albert Bagdasaryan, Vartan Zurnachyan, and Khachik Stamboltsyan, are there other well-known names in your party?

[Bagdasaryan] Ashot Upanyan, Ed. Dzhaginyan, Aram Manilyan.... They were all in at the start of the movement.

We were aware, even back in 1992, that it was necessary to hold back the AOD and turn it in the direction of the people. We knew what to do and by which path to proceed. Renunciation was out of the question. Those who left the AOD voluntarily made an unforgivable mistake. A mistake that cost the people very dear. We, on the other hand, wanted to rectify the situation from within: We attempted to reconstitute the movement in the form in which it had originally been conceived and tried to counter the AOD becoming a "pocket" party of the president. This and this alone was the guarantee that we would not find ourselves faced with the turmoil with which we are faced today. True to its principles, the movement should have kept the authorities in check, preventing them from turning off from the path chosen in 1988. Alas, we were not allowed to realize what had been planned. Speaking at a joint meeting of the AOD Board and a group of deputies, the president said about us: "Those within are far more dangerous than the entire opposition outside."

In 1994, we sought to have the draft constitution, very illiterate from a legal standpoint, submitted for parliamentary discussion and to ensure that it fail to muster a sufficient number of votes. Seeing that there were within the AOD people who could not be led around, even those who in a different situation would simply not have risked not pressing the "right" button voted "against". It is well known that the practice of bribery and threats were introduced into parliamentary practice long since. And at the AOD board meeting at which the question of our expulsion was discussed Ed. Yegoryan openly and unabashedly confirmed this: "Why not? If necessary, we'll intimidate the deputies." "And buy them," Bagrat Asatryan added. "And at a moment when things are well under way," the "chorus" supported him, "this group is hitting us from the rear and preventing us from realizing our programs."

I was never guided by the principle of the end justifying the means. I abhor threats and bribes, as does, most likely, any normal person.

[Manucharova] What are National Progress' chances at the coming elections? After all, the train of the past is too serious for it not to be taken into consideration. Perhaps it is simpler at this time to put one's trust in a political neophyte than in an AOD-ite, albeit a former one. More precisely, especially a former one.

[Bagdasaryan] The entry into politics of a new figure is far simpler than a revival of faith in an old one. But theory is theory.... Reality, on the other hand, is such (I speak for myself) that not once in all these years have I altered my principles. And it is far harder to adhere to principles today than in 1988, when the entire people rose up. There are not many that can say the same about themselves, I believe. And it is very difficult, of course, to create a party that blends into political life and evokes interest in itself. Nonetheless, we have already had some response among the people, I believe. But we will learn the real attitude toward ourselves only after the vote on 5 July. Many of us have in these years had identical "growing pains": We have created idols and then overthrown them, believed blindly and then regained our sight and become disenchanted. Nor am I any exception in this respect.

[Manucharova] Is there anything in your past that you would like to expunge?

[Bagdasaryan] I would very much like not to have been as naive as I was in 1988. I would like not to have believed that whatever was being done, was being done for the good of the people, on the basis of national interests. I would like not to have believed that the city council alone was the place where I could put some things right. These were merely the pious wishes of my political surroundings, of the leadership of the republic. "Ultimately," I was told, "the people are very unhappy with trade, public catering, fruit and

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vegetables, funerals, cemeteries...." I rushed to bring order to bear there and only some time later understood that attempting to change something in this system is a pointless occupation. Either you become a "white crow," and attempts are made to discredit you at any price, or you become reconciled and turn into a member of the nomenklatura rank and file who tackles his own problems, the problems of just one day.

[Manucharova] Which did you prefer: the role of "white crow" or ordinary member of the nomenklatura?

[Bagdasaryan] Having worked for a year, I preferred to quit. I was not avoiding responsibility, as some people tried subsequently to portray things. There was one single reason: I could not reconcile myself to the fact that we in the streets had been trumpeting social justice (it is immaterial that I personally had not been speaking about this—we all bear the responsibility), about privileges, black Volga's, lap dogs, dachas, private residences, and so forth, and in practice... were continuing to enjoy these privileges, differing from the former nomenklatura operatives not in the least. The system remained as before, and this is a most "excellent" system capable of corrupting even an honest man.

[Manucharova] As deputy mayor in charge of trade, you sheltered from responsibility your deputy, Armen Arutyunyan. The "cognac affair" and then the "nectar" business are still fresh in everyone's memory....

[Bagdasaryan] Armen Arutyunyan did, indeed, perpetrate violations and should, according to the law, have been brought to trial. He himself acknowledged this. But for a correct appreciation of what happened and also the fact that both I and Ambartsum Galstyan behaved identically, saying during the discussion of this matter in parliament that we shared fully the responsibility entrusted to A. Arutyunyan, some things need to be explained. In 1991 the system of state trade was demolished. The "state order" and "state supplies" concepts no longer existed (private trade was still prohibited). And to avoid the people finding themselves beneath the rubble of this system, something had to be done urgently. Owing to inexperience, the Supreme Council and the government were in no hurry to create the legislative field to support activity with regard to the new conditions. We presented to the government our viewpoint on how trade should function. We proposed that people be given the opportunity to freely engage in the importation of commodities because had we continued to maintain the markup at the previous level, nothing would have come into the republic via state channels. In a word, we arrived at a general understanding in the government. Present at the session were the prime minister, the deputy prime minister, and ministers and also Ashot Manucharyan, acting minister of internal affairs. But when the political contradictions began, these violations, which at the government level had been categorized as measures for an escape from the situation of impasse, were suddenly recalled. Aside from myself and Ambartsum Galstyan, who had risen to the defense of Armen Arutyunyan, the remaining members of the government "forgot" about such a "trifling matter" as the understanding reached in the offices of the prime minister and deputy prime minister. As far as the policy is concerned, the calculation was the right one. With a superficial approach, it comes out as follows: There were thieves and there were those who covered up for them.

[Manucharova] Nonetheless, after this incident, Armen Arutyunyan was appointed chief of the transport police. But he did not last long there either... until the first scandal....

[Bagdasaryan] It all began with the disclosure of the machinations in the activity of the exchange center of the A and A Bank located on the airport's grounds and reached many of those who had been elected deputies on the AOD slate. I exerted a massive effort at that time to prevent the matter from being closed, despite the ruling grouping's interest in the reverse. Nonetheless, it was impossible to set it in motion on legal grounds. We had no Public Prosecutor's Office, even less do we have one now. This matter also was discussed at a closed session of the AOD Board, in which the president took part also. The president stated that he had on the basis of a petition (which had contained, right at the beginning, the signature of a "shadow" manager of the A and A Bank) directed Karapet Rubinyan to revise the preventive punishment against the two persons detained in this case. I would remind you that it was a question of embezzlement of particularly large amounts, but this was presented as embezzlement in the interests of the state. It had absolutely nothing to do with the state, I assure you. The patrons were high-ranking persons from the KGB, one of whom is still being sought. Although the concept "being sought" is too conditional for it to be taken seriously. The two who were released from detention pending trial fled also.

A second affair connected with Shagen Petrosyan, acting chief of the Aviation Administration at that time, emerged in the same period. The details are as follows: When the transport police were to have familiarized themselves with the administration's financial and accounting documents, Shagen Petrosyan called the president and said that Armen Arutyunyan was preparing a coup at Zvartnotsa. A detachment of the president's bodyguards showed up at the airport immediately. This entire racket had been raised to conceal access to the documents. Nonetheless, everything was proved. It was

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a question of extortion (I do not care to mention the amount involved). Brandishing a bunch of "green," Shagen Petrosyan expostulated at the AOD Board meeting: "Would an extortioner carry money around in his pocket?!" Yet he was required to have paid in this money a month previously, not carry it around in his pocket. The result, however, was the same: In order to avoid clashes between two members of the AOD, it was proposed that Armen Arutyunyan be transferred to the position of chief of the Echmiadzin Regional Administration. Insulted, he refused, tendered his resignation, and quit. He is still out of work, incidentally.

[Manucharova] It is getting interesting: People who were formerly accused of all mortal sins are now being presented as national heroes almost. This has been the case with Ambartsum Galstyan also. Which description most corresponds to his activity, in your view?

[Bagdasaryan] None of those that are currently making the rounds. I have not forgiven him for having quit politics. Members of the Karabakh Committee do not have this right. When he was mayor, his activity was scrutinized as through a magnifying glass precisely because he was a member of the Karabakh Committee. Little has changed in the municipal economy with his departure: There has been no less of the garbage and no more of the asphalt (I do not refer to the "election" disinfection cleanup and asphalting), but the reaction has been more composed. The people are more exacting toward those in whom they formerly believed. And possibly it was his departure from politics that was the cause of his tragic death. Much is being said about this assassination at this time—this is the work of the Dashnaktsutyun, it is said. Earlier I would have said that a person may be deemed guilty only by a decision of the court. Now, unfortunately, I do not believe in the justice of the court. I hope that the election results will compel it to become impartial. But nor do I want the reverse to happen either, when there is a change of power. I do not want the court to conceal the killers, if, in fact, the killer is found and his guilt proven.

[Manucharova] Why are you so sure that there will be a change of power?

[Bagdasaryan] I come into contact with various strata of society. Even the more or less prosperous people are unhappy with the policy of the present authorities—they have no guarantees for the future.

[Manucharova] And what guarantees are there that those who take their place will be better?

[Bagdasaryan] The new ones, taking account of the experience of the previous ones, are simply fated to be better, regardless of their propensities. This has been a history lesson, which had to have been assimilated. It would have been more correct, it is true, had our proposal that the deputies be elected for a two-year term made its way into the Election Act. They would work for a year still under the "breath" of the past elections, and for the other year, under the "breath" of the coming elections. And the result of this would be a sense of their brief sojourn in this status and a desire to work so as to be reelected. The fact that the road would be asphalted not once every four years but every two would in itself be a plus....

[Manucharova] I understand that you are angry at the quality of Yerevan's roads, but what do you have against priests? What was the purpose of this appeal to the catholicos, in which you call for Ter-Usik Lazaryan to be defrocked?

[Bagdasaryan] I did not appeal to him personally but on behalf of National Progress. I do not believe that it now needs to be said what the church means to us. And how much in the people's attitude toward the church depends on the clergy. Please understand, when Ter-Usik does something wrong in politics or speaks an untruth at an AOD Board meeting, this is fine. But when he breaks the commandments in public, speaking on television, this should surely attract the attention of the church. I propose that it be clarified, therefore, whether it is, in fact, the case that the AOD leader is living in the two-room apartment in which, as he says, he grew up. It would be a good idea also to specify the Ter-Usik apartment in question. In what year was it purchased and for how much? I would remind him of what he said in a conversation several years ago: "It is not true to say that I purchased this home for 15 million, it was bought for only 7 million." As you understand, we are talking by no means about a two-room apartment "in which he grew up." May his lie as a clergyman be evaluated by the church, therefore, and as far as the lies and pharisaism in politics are concerned, the people will make an evaluation of this at the elections.

[Manucharova] I am now beginning to understand, I believe, why in the lobbies you were called (excuse my tactlessness) "Iron Feliks"....

[Bagdasaryan] Even were my close friend to violate generally accepted rules or laws, I could not close my eyes to this, as is customary in the AOD. At board meetings I would frequently sharply criticize Levon Ter-Petrosyan, Babken Ararktsyan, and Vano Siradegyan, although it seemed to many people that I should have blindly supported them. It was on account of this approach that I was called "Iron Feliks" and so on and so forth. I did not consider it possible for myself to

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consent to compromise, my nature did not permit me this luxury.

[Manucharova] It is customary to believe that, as a rule, the authorities are castigated by those who, while members of the AOD, did not obtain office. The "aggrieved," so to speak....

[Bagdasaryan] This mentality is, indeed, the AOD having started it off, taking root. Speaking for myself, I was offered ministerial office twice back in the times of Vazgen Manukyan—I declined. Levon Ter-Petrosyan offered me the positions of chief of the Tax Inspectorate, chairman of the Petroleum Products Committee, minister of food and procurements, chief of the Aviation Administration, and, finally, ambassador to Russia. I have listed them specially so that such questions not arise. I turned down these offers for the simple reason that I consider myself a politician and was unwilling to become a "blind" tool in the executive system of power. I have already spoken about the kind of system this is. But the main thing is that working as a minister, say, you forfeit the opportunity to influence the situation as a whole. But (I want there to be no lack of understanding in our conversation) there was one component in the executive structures that not only did not preclude this influence but presupposed it; besides, it was close to me in both nature and spirit. This was state security. And the question of my appointment there was discussed by the AOD Board, after which there urgently followed the appointment of Valeriy Pogosyan. And the reasoning against my candidacy was as follows: Albert Bagdasaryan's character is unpredictable, and he could not under the influence of the moment correctly evaluate national interests. And it cannot be ruled out that he would all of a sudden decide to rummage around in the archives and publish material discrediting people. In a word, a witch hunt in the republic would begin. For those who have a superficial acquaintance with me this line of reasoning was entirely acceptable. Specially since I had formerly declared that former KGB "stoolies" were not entitled to be leaders of the state. "Stoolie" is a word that fully describes the essence of a person. To put such a person in the government.... And I would have exposed people, of course. But not ordinary citizens.

[Manucharova] And it would suddenly have been ascertained that "stoolies" were the only ones around and that there was no one to work with....

[Bagdasaryan] I also have reached this conclusion as of late. The president did not agree, I believe, for the reason that very many of his entourage would have appeared before the people as they are, without these "angelic wings". It is possible that I would have ascertained something else also—how many persons in 1988, as recommended by the union KGB, were brought in to the Karabakh Committee, and how many later, to the government. Yes, this was the sole lever of an increase in the responsibility of the authorities. But can it be said after this that I nursed a grievance? No, I simply came to understand once again that the political path that I had chosen for myself was the sole correct one. And turning aside from it into economic activity would not have been all that smart.

[Manucharova] Let us imagine this situation: You are head of the GUNB [State National Security Administration], and an anti-Dashnak campaign begins. Your behavior....

[Bagdasaryan] I now try to appear in glowing colors. To be serious, the logic of the development of the attitude toward the Dashnaktsutyun is as follows. Having been unable to discredit the party, the authorities switched to punitive measures. But whereas their statement that there is within the Dashnaktsutyun the Dro terrorist organization is perceived through the prism of the elections, similar statements of people close to the Dashnaktsutyun that such a structure does actually exist and that it has a number of assassinations on its conscience put us on our guard. I refer, in particular, to the statements of Ashot Manucharyan at a recent public meeting.

I would approach this question differently. First, I would attempt to persuade the president that this structure (if it exists) may be neutralized. The strong intelligence part I would use in state interests. The criminal part, I would neutralize in legal form. Without causing a fuss, without imparting to the judicial proceedings a political connotation. Having trumpeted the Dro organization to the whole world, we have placed in jeopardy our compatriots outside of the republic. Any of them could be "taken out" tomorrow, having been accused of terrorism and having been ascribed to the Dro. Further projecting the situation onto myself, I would say that I would hardly succeed in persuading the president since he adheres to the opposite viewpoint. And I would ultimately be dismissed, as I was formerly dismissed from the AOD.

[Manucharova] David [illegible]hnazaryan's dismissal is hardly in the same category. A multitude of versions has been quoted, as far as the complicated one which says that the resignation was the result of a struggle for influence on the president. Is there a grain of "plausibility" in this, in your view?

[Bagdasaryan] Influence on the president is a myth. The sole person who attempted to say impartial things and who did not attempt to please him was Vano, and only

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for a certain length of time at that. Today it can only be a question of a struggle to stand alongside the president. The competition now lies elsewhere: Who expresses his thought sooner, who has more opportunities to please him, who, finally, might be more Catholic than the pope.

[Manucharova] And who is more Catholic, do you think?

[Bagdasaryan] Babken Ararktsyan, Ter-Usik Lazaryan, Ed. Yegoryan, Bagrat Asatryan, and Karapet Rubinyan are laying claim to this role.

[Manucharova] Vazgen Sarkisyan?

[Bagdasaryan] Vazgen Sarkisyan simply cannot be either Catholic or Orthodox.

[Manucharova] I am cutting short the conversation on this "unfinished" note. Nothing that is well-rounded and streamlined befits the image of my interviewee. An image that is quite contradictory, but, undoubtedly, "hard-boiled".

Dro Trial Set To Begin on 7 July

954F2626B Yerevan GOLOS ARMENII in Russian 22 Jun 95 p 1

[Report by Armen Akopyan: "'Dro Case' Trial To Begin on 7 July"]

[FBIS Translated Text] Yesterday the Supreme Court of the Republic of Armenia Criminal Division considered at an administrative session the question of the arraignment of the 11 defendants in the so-called "Dro case."

Edik Manukyan is presiding, Mikael Grigoryan, deputy procurator general of the Republic of Armenia, is the prosecuting attorney in the case. As Vardan Safaryan, attorney for Armenak Zakaryan (accused of gangsterism and homicide), told your GOLOS ARMENII correspondent, the attorneys for eight of the defendants had been summoned to the session. The defense attorneys presented appeals for the case to be remanded for additional investigation justified by violations of the rules of criminal procedure.

Prior to the completion of the administrative session, Vardan Safaryan said in response to my request for a forecast concerning its outcome: The Supreme Court has to venture a heroic act to observe the spirit and letter of the law and grant our appeals. I have very little hope of this

Vardan Safaryan proved right. The 10 appeals were dismissed. Presiding Justice Edik Manukyan proved to be anything but a loquacious individual. Escaping journalists and their questions together with the people's assessors, he merely let out: The trial will commence on 7 July; the appeals have been dismissed on the grounds of the law.

AOD, Commission Accused of Misdeeds

954F2628A Yerevan GOLOS ARMENII in Russian 22 Jun 95 p 1

[Article by Vyacheslav Arutyunyan, former member of the Eighth District Election Commission: "Falsification—the AOD's Only Hope"]

[FBIS Translated Text] After the Central Election Commission refused to register certain opposition (and only opposition) parties and sociopolitical organizations, the situation surrounding the election campaign became extremely critical.

The fact is that up until 10 June the AOD [Armenian Pannational Movement] authorities were losing one source of support after another in the organizational questions of the elections.

At the end of April and the beginning of May, the district commissions were formed according to the multiparty principle. They were made up primarily of opposition. And this in spite of the fact that, while grossly violating the law and the rules of ethics, the Central Election Commission in many districts replaced and appointed chairmen of district commissions at their own discretion. Soon, however, the people in power understood that this would not be not enough to ensure their own success, and they began to get ready for the second round.

From 2 through 4 June, precinct electoral districts began to be formed, in which as if to spite the people in power the opposition dominated again. There was complete panic. The failure of the AOD concept of the election campaign was manifested not only in the fact that the opposition prevailed in terms of numbers in the commissions: Many people recruited by the AOD bloc did not even have any idea of which party they were representing, that is, they had been simply deceived. When the truth surfaced, many refused to participate in the work of the commissions. They were surprised and annoyed when they found out that they were representing, for instance, the KhDP [Christian Democratic Party], LDP(RA) [Liberal Democratic Party of the Republic of Armenia], the AOD, SDPG [expansion not indicated], and several others. And the names of the leaders of these parties—Vigen Khachatryan, Ashot Navasardyan, Eduard Yegoryan, and Ter Iusik gave them an allergic reaction. Leaving the commissions along with them were also representatives of pro-AOD segments who could muster no interest in the election campaign after their chiefs were rejected—mainly workers of executive

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committees (chairmen, their deputies, etc. who withdrew from further struggle under pressure from the high AOD elite). They stated outright that they had joined the commission in order to work for one candidate or another, and, since the authorities had eliminated them, they were no longer interested in the elections.

This proves once again that AOD convictions as such simply do not exist and the people who rallied around this organization were pursuing nothing but personal interests.

But principled people refused to help the AOD bloc, understanding quite well that their victory would cause the people only sorrow.

The hatred of the people for the AOD and the failure of the propower forces in the election commissions forced them to turn to an out-and-out attack on democracy and the law.

In order to restore the balance of forces or even to create a positive balance in favor of the AOD, it was necessary to neutralize the main force of the opposition. There was only one solution—not to register the Azgain Dashnik—Dashnaktsutyun. In order to conceal this objective, a base one in all respects, several other opposition organizations were also refused registration. After this kind of surgical intervention, the composition of the commissions changed sharply since representatives of unregistered parties (seven or eight members) lost the decisive vote and actually withdrew from further participation in the commission's work. There is hardly a need to think very long about the purpose for which they drove the opposition out of the commissions. The conclusion is simple: in order to more easily falsify the results of the voting. In other words, falsification is the AOD's only hope. Such baseness and treachery at the highest state level simply makes one terribly upset.

And, if one is guided by national interests, the role of election commissions and their members consists only in bringing the election process to completion in an organized and fair way, obeying only the law and not party interests.

On the threshold of the elections, the election commissions were destroyed, a quorum was not provided, and many crucial problems went unsolved. And it is much easier to catch your fish in muddy water. Some people like it very much when everything breaks up: in the parliament, in the academy, among writers and intelligentsia, in the parties and social organizations, in the diaspora and at home, in the election campaign, and in the larger picture—in the nation.

Do these gentlemen understand that "you can win power with bayonets but you cannot sit on them."

Azerbaijan

Turkey To Extend $600-Million Long-Term Loan

NC2606204295 Baku TURAN in English 1457 GMT 26 Jun 95

[FBIS Transcribed Text] Baku (June 26) TURAN — Azerbaijan intends to receive additional longterm credit totalling $600 million from Turkey.

At the expense of these resources Azerbaijan plans to modernise several basic fields of economy of the country with participation of Turkey's firms and companies.

Azerbaijan's Ministry of Economy has prepared the concrete proposals to this effect. Under these proposals, the additional credit is to be distributed as follows: $73 million for electric energy, $59 million for petrochemical industry, $101 million for machine-building, $45 million for light industry, $81 million for building material production, $183 million for transportation and communication, $38 million for health system and $17.8 million for flour-grinding.

For example, it is planned to create the system of small energy in Nakhichevan Autonomous Republic (construction of Ordubad Hydro Electric Station with capacity 40 MWt and 220 million KWt-hour, Arpachay Hydro Electric Station with capacity 14 MWt and 30 million KWt/hour, Vaihir Hydro Electric Station with the capacity 4.7 MWt and 12 million KWt/hour), technical reconstruction of the enterprises of petrochemical industry (production of polystyrol 25,000 tons annually in Production Union "Syntheskauchuk", installation of equipment for selective cleaning of lubricating oils on "Azerneftyag" plant with the capacity 100,000 tons annually), of light industry (production of raw cotton on textile plant by Tagiyev with capacity of 7,000 tons annually and others), in flourgrinding industry (purchase of installation of 50 mini-bakehouses and others), completion of construction in field of machine-building with account of international standards (Ganja's auto plant with capacity 1,000 autos annually, Baku's auto plant with capacity 2,000 autos annually) and others.

The Ministry of Finance believes that joint co-operation in construction of large-scale projects will allow to increase the industrial level of leading fields within short period of time, to produce competitive goods, settle several social problems, especially such as creation of additional working places, promote development of private sector of Azerbaijan's economy. At the same time the firms and companies of Turkey will produce necessary equipment for creating Azerbaijani enterprises.

The draft of proposals will be submitted for consideration by Azeri President in the coming days.

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Oil Deal With Iran, Turkey Viewed

NC2706103995 Moscow Voice of Russia World Service in Persian 1500 GMT 26 Jun 95

[Station commentary]

[FBIS Translated Text] Recently, Iran's KAYHAN INTERNATIONAL carried an extremely interesting interview with Elyar Seferli, Azerbaijani ambassador to Iran, about Azerbaijan giving a 5 percent share in the Caspian Sea international oil consortium to Turkey. This share was to go to Iran. Seferli actually pointed out Baku's inability to confront Washington's pressure against Iranian participation in the consortium. He said that the American companies and the other members of the international industrial- financial group disagreed over handing the 5 percent share to Iran and Azerbaijan was unable to make them change their opinions. However, the Azerbaijani ambassador said that the decision was made because of the conditions of the multilateral agreement. According to Seferli, Baku had promised to hand over 5 percent of shares to Tehran only if the other consortium members agreed. But this did not happen.

It is very interesting to see how Baku justified its retreat. In his KAYHAN INTERNATIONAL interview, Eliyar Seferli said: We are a small republic, a drop in the ocean. Thus, we are unable to do much. America flexed its muscles, and we had to submit. The Azerbaijani ambassador hoped that Iran would understand Azerbaijan's position.

Moreover, Eliyar Seferli stated in the interview that Baku is ready to improve its relations with Tehran in other areas and he specifically referred to the special respect that Azerbaijani leader Geydar Aliyev has for Iran and President Hashemi-Rafsanjani. Regarding the oil deal, according to the Azerbaijani diplomat, another consortium can be formed with Iran since Azerbaijan still has many more oil resources.

We know that Baku's not granting the 5 percent share to Iran and granting it instead to Turkey under Washington's pressures has created serious tension in Iranian-Azerbaijani relations. It should not be ruled out that the recent remarks by the Azerbaijani ambassador in Tehran were aimed at removing this tension.

(?However), a number of observers say that Azerbaijan was not forced to not hand over the consortium shares to Iran because of Washington's muscle-flexing. There may not have been and could not be any type of American political and military threat against Azerbaijan. At that time, President Clinton's administration was preparing for a series of anti-Iranian measures within the framework of a trade embargo against Iran. The measures were later declared. Also, it was very possible that the American companies—such as Conoco—would have had to leave the international consortium, in which they had undertaken a large part of the investments; and their withdrawal would have jeopardized the oil exploration project in the Caspian Sea, which is extremely profitable for Baku.

Gulizade: 'New Stage' in Peace Talks Arrived

NC2606194795 Baku TURAN in English 1454 GMT 26 Jun 95

[FBIS Transcribed Text] Baku (June 26) TURAN — "New stage, when two sides are seeking the ways for peace, has already come in the Armenian-Azerbaijani relations. It has been reflected in the text of Major Political Agreement", Vafa Gulizade, the State Advisor for Foreign Political Affairs, characterised the results of the Armenian-Azerbaijani talks recently completed in Helsinki. "For the first time during the talks I felt that the warring party is ready to make compromise and draw the peace nearer, but all this exerted influence on the atmosphere of the talks", the state Advisor mentioned. The results of my visits to the U.S. and Helsinki showed that peace is "not far distant", the State Advisor says. At the same time he refused to speculate on the details of the talks. He just noted that the OSCE and the co-chairmen of the Minsk Conference recommended the parties to activize the contacts. "Several issues have been already settled", Gulizade mentioned. At the same time the State Advisor stressed that it would have been naive to think that all issues will be settled at the next Moscow's meeting.

As far as the basic obstacles on the way of settlement are concerned, Gulizade mentioned that the issue on liberation of Shusha and Lachin is the principal one for Azerbaijan and Nagorno-Karabakh's status is the principal issue for Armenians. "We must find such a formula that would have ensured safety and autonomy of Nagorno-Karabakh inside the Azerbaijani states", Gulizade mentioned.

Yesterday Deputy Foreign Minister of Armenia, Vardan Oskanian, positively assessed the results of Helsinki meeting. He said that the talks passed in constructive situation". [no begin quotation marks as received]

It should be mentioned that Azerbaijan's Deputy Foreign Minister, Tofik Zulfugarov, told TURAN's correspondent that the issue concerning Nagorno-Karabakh's status will not be introduced in the text of Major Political Agreement. It is, possibly, one of the compromises, since earlier Baku insisted on connecting of the issue on Nagorno-Karabakh status with the overall settlement of the conflict.

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Abbasov Comments on Economic Concerns

954F2477A Moscow DELOVOY MIR in Russian 1 Jun 95 p 5

[Comment by Abbas Abbasov: "Cooperation Is a Necessity and the Historical Truth...."]

[FBIS Translated Text] Despite the optimistic forecasts that the economic situation in the republic would improve following the signing of the "contract of the century" for the development of the off-shore oil fields together with Western companies, the slump in production in local industry and the agro-industrial complex continues. Many enterprises are operating to one-fourth of capacity. Last year the country was unable to reach the anticipated boundaries in the harvesting of the main agricultural crops—raw cotton and grapes. "Forecasts in our times frequently remain pious wishes, alas," Abbas Aydynovich Abbasov, first deputy premier of Azerbaijan, believes. "Reality very often confounds them and makes its own adjustments."

But could the economic situation here have been different, the first deputy prime minister asks. It may be recalled that it is the fifth year now that the Azerbaijan economy has been in a state of depression. First, the Karabakh conflict compelled the subordination of the country's entire economy to working for the needs of defense. Second, 20 percent of the territory of Azerbaijan is temporarily occupied, and these are areas with the most developed agriculture— cotton growing, grain growing, viticulture, vegetable growing, and animal husbandry—what is more. Third, there are 1.2 million refugees in the country. This is why we are managing only with the aid of the international community and humanitarian organizations to tackle urgent questions of provision of the populace with food.

In addition, the severance of the traditional ties to the states of the CIS is taking its toll. Recently, in connection with the war in Chechnya, freight by rail to Azerbaijan and from it via Russia has not been getting through. And is there much that can be transported by air or by roundabout sea route across the Caspian?...

There is something else also. With the entrepreneurial mentality of its people, Azerbaijan formerly had taken pretty good steps in market relations and international business. Reports are now filtering into a number of news media of Russia and other states of the Commonwealth to the effect that this Transcaucasus republic has not even embarked on the implementation of economic reforms. This is not the case. Yes, we have lagged behind in their implementation. They were started, essentially, 18 months ago—following Geydar Aliyev's election as president of Azerbaijan. Since that time the process of reform of the country's economy has been moving forward, albeit slowly. The privatization of housing and consumer service enterprises has been undertaken here. Denationalization has begun in other branches, and the private sector in the economy has been strengthening increasingly.

But I believe that, by and large, the pace of the Russian reforms should not be tried on Azerbaijan or other states of the CIS for size. Truly, Russia has stepped out far ahead here, and we are constantly trying to catch up with it, as they say. But each country has its own particular features. And here also the Russian experience teaches us that they need to be taken into account, lest we put our foot in it. We have preferred, therefore, to undertake the reforms in phased fashion and to determine precisely which branches may be privatized without loss to the state and the treasury and with which we need to wait a while. At the present time we are intensively creating the legislative base, and the experience of Russia, Belarus, and Kazakhstan is for us simply inestimable here. Without balanced and proven legislation, we would simply drown in arbitrary action and chaos.

Let us look truth in the eye. The real returns from the first stage of the reforms and the foreign investments connected with the signing of the oil contract will begin to show, most likely, somewhere around July of this year or a little later, perhaps. This means that the living standard of the population, particularly its inadequately protected strata, will in the meantime continue to decline. And this will not, of course, contribute to a strengthening of the positions of the national government. And, further, we have forces that are straining after power, and there have been several attempted coups d'etat. The confrontation with the official authorities on the part of the opposition was not until recently contributing stability to the country's political and economic life. But the president and the government are seeking compromises acceptable to all. We are placing big hopes in the all-republic forum held in the spring. Representatives of practically all political parties and movements, including those in opposition to the present authorities, took part. Geydar Aliyev made the right points here, it seems to me. He declared that he saw no fundamental differences between the principles of the policy being pursued by the state, in the reform of the economy and its recuperation included, and the platforms proclaimed by the parties that are not loyal to the present authorities. I believe that it is this that is the basis for mutual constructive cooperation, whereas any confrontation is detrimental to the fatherland and the people....

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And one further question, but of a somewhat different nature. Since Azerbaijan's signing of the oil contract with the international consortium for the joint development of the Azeri, Chirag, and Gunesli fields on the Caspian shelf, a certain misunderstanding of the positions of the two countries—Azerbaijan and Russia—has been observed. There are, furthermore, questions of international law, that is, determination of the status of the Caspian, which is now shared, aside from our two countries, by Kazakhstan, Turkmenistan, and Iran. They also are being tackled and will, I am sure, be settled.

For our country is, in fact, attuned to close mutually beneficial cooperation with Russia and the other countries of the Caspian. And is doing everything possible for this. In addition, the recent meetings of Geydar Aliyev and Boris Yeltsin put an end to all the innuendoes. That there has been certain progress in cooperation in the Caspian is attested by the signing of the recent agreement among all the Caspian states on the status of the sea in fishing in the corresponding waters. There was recently a meeting in Almaty of the deputy ministers of foreign affairs and experts of Russia, Kazakhstan, Turkmenistan, Iran, and Azerbaijan with the participation of international observers, at which the discussion of a resolution of the problems of this inland body of water was continued....

So we are open to cooperation with all countries: with the near and the far abroad. And if we are talking about the prospects of the republic's participation in the affairs and programs of the CIS, I will say this: Our young state, with its unique geopolitical position, cannot survive without a restoration of political and economic relations with the republics of the former Union. This is necessity and historical truth.

Aliyev Edict on Election Preparations

954F2606A Baku AZERBAYDZHAN in Russian 17 Jun 95 p 1

[Edict of the president of the Azerbaijan Republic: "Measures Connected With the Elections to the Supreme Legislative Body of the Azerbaijan Republic"]

[FBIS Translated Text] In connection with the first parliamentary elections since the restoration of the independence of the Azerbaijan Republic to be held on 12 November 1995 and considering the special significance of these elections in the strengthening of the statehood of Azerbaijan and social and political stability and in the establishment of civil solidarity, I resolve:

1. To instruct the district (city) organs of executive power, with the enlistment of the corresponding authorities, to have put in order within 45 days the roll of constituents who are citizens of the Azerbaijan Republic in terms of each city (of republic jurisdiction) and district and to notify the Central Election Commission of this per its approved form.

2. To propose that the Central Election Commission together with the State Committee of the Azerbaijan Republic for the Affairs of Refugees and Involuntary Immigrants prepare within a month proposals connected with the normal implementation of the electoral rights of refugees and involuntary immigrants and present them to the National Assembly of the Azerbaijan Republic.

3. That the Ministry of Foreign Affairs of the Azerbaijan Republic:

—together with the Central Election Commission of the Azerbaijan Republic shall implement the necessary measures aimed at the organized participation in the elections of the citizens of the Azerbaijan Republic living outside the Azerbaijan Republic;

—address the parliaments, governments, and the public of foreign states and international organizations and invite their representatives to the republic to observe the course of the elections and tallying of their results;

4. To instruct the Ministry of Justice of the Azerbaijan Republic in the name of increased liability for a violation of the requirements of legislation governing the elections to present proposals on addenda and revisions to legislative instruments.

5. To recommend that the leaders of the news media make provision for systematic coverage of the progress of the preparation and conduct of the elections.

6. To allocate funds amounting to 236.166 billion manat for the purchase of material and technical resources in connection with the preparation for the elections to the supreme legislative body of the Azerbaijan Republic.

To instruct the Cabinet of Ministers of the Azerbaijan Republic in connection with the organization of the elections and also with regard to the requirements of the Central Election Commission to allocate these funds within a month for the resolution of questions connected with services to be rendered by transport and communications enterprises and organizations.

7. That the Ministry of Foreign Affairs of the Azerbaijan Republic shall notify foreign states and international organizations of this edict.

[Signed] Geydar Aliyev, president of the Azerbaijan Republic
City of Baku, 14 June 1995.

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PFA Converts From 'Movement' to Political Party

NC2606173295 Baku TURAN in English 0919 GMT 26 Jun 95

[FBIS Transcribed Text] Baku (June 26) TURAN — Last Sunday [25 June] during the third PFA [People's Front of Azerbaijan] Congress in Baku it has been decided to establish the party "Azerbaijani Popular Front". This resolution was adopted by the delegates of the Congress during discussion of the issue concerning the legal status of the Popular Front. The PFA turned from public-political movement into political organization.

This resolution was carried by 120 votes to 56 with 14 abstention. The Deputy Chairmen of the PFA voted as follows: Ali Kerimov voted for the resolution, Mirmahmud Fattayev was against that and Ibrahim Ibrahimli abstained.

After announcement of the results of the vote and establishment of the protocol of the electing Commission by the delegates, Ali Kerimov announced the Constituent Congress of the PFA party opened. "We de-jure consolidated the status of the Popular Front as the political organization. It will give us opportunity to function within framework of the law on political parties", Kerimov mentioned.

During the procedure of formation of working bodies of the Congress, Mirmahumd Fattayev said that he "voted against turning the PFA into the party, because he does not have the moral right to be the co-Chairman on the sessions of the forum". However, his refusal of an office was not accepted.

The group of delegates voting against the resolution on turning the PFA into the party told TURAN that they will try to achieve receiving of the status of the fraction in new party. Or else they preserve the right to drop out of this organization.

The Constituent Congress of the party adopted the Charter and the program of the party and introduced appropriate amendments in them. The leading organs of the PFA are elected and the staff of the PFA Supreme Mejlis is approved. Abulfaz Elchibey is elected the Chairman of the PFA party. The Deputies of Elchibey in the PFA are established his Deputies in the party.

The Congress has decided to apply to the UN due to suppression of human rights in Southern Azerbaijan (Iran). Appealing to the participants of the Congress, Abulfaz Elchibey said that unification of the efforts of Azeris in Southern (Iran) and Northern Azerbaijan in the name of achievement of the independence of the Azerbaijani state is one of the basic aims of the party. He also said that the PFA must take part at the forthcoming elections.

The participants of the Congress also issued the statement due to the republican meeting in Baku on the results of October events of 1994 and March events of 1994. The accusations of involvement in the coup attempts brought against the PFA are aspirations [sa received].

It has been decided that during the second part of the Constituent Congress of the PFA party, which is to be held in 2-3 months, new program of the party will be established. The special Commission is charged with the work over the program.

Georgia

Shevardnadze Regular Weekly Interview

LD2606121895 Tbilisi Radio Tbilisi Network in Georgian 0533 GMT 26 Jun 95

[Regular weekly interview with Georgian State Council Chairman Eduard Shevardnadze by program anchorman Nato Oniani — live]

[FBIS Translated Excerpt] [Oniani] Mr. Shevardnadze, we usually begin our Monday radio interviews with economic issues but what sort of economy can we talk about until stability is established and order restored in the country? You have repeatedly spoken about this. It was most regrettable that while the head of state was trying to convince everyone abroad — we shall speak about the visit to Israel later — that order has been restored in Georgia and it that it is already possible to invest here, his own compatriots carried out yet another terrorist act. Those who committed that dreadful crime are also citizens of Georgia. Soliko Khabeishvili [Shevardnadze's associate killed in Tbilisi 20 June] was tormented during his life and then he died in torment. In spite of all that happened, [UNESCO Director] Federico Mayor sent you a letter saying that despite the killing of Soliko Khabeishvili and his driver, the forum [The Dialog of Cultures Against Intolernce and Violence] will be held, anyway. The forum is meant to be directed against intolerance and its organizer, Mr. Khabeishvili, fell victim of intolerance.

[Shevardnadze] Good morning. The death of Soliko Khabeishvili is a great loss for the country and for me personally. I indicated some points in my speech at the funeral service. The assassins knew whom they were shooting at. This was not the first case.

A terrorist acts perfidiously and he is a coward by nature. A coward, as a rule, is cruel and ruthless. There are a great many examples of this in history. I am not going to try to find any excuses for the cases of terrorism and subversion in Georgia just because this sort of act

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occurs in various countries. [passage omitted] However, this does not allow us to make any excuses.

As far as as the forum is concerned, I have to say that the international forum "The Dialogue of Cultures Against Intolerance and Violence" will be held regardless. This is the will of my great friend, Federico Mayor. And this is the wish of those who agreed to participate in the Tbilisi forum. I suggested yesterday that a tradition of holding a dialogue between different cultures should be possibly established in Tbilisi, that a kind of code of cultures against hatred, evil, and violence should be possibly adopted in Tbilisi, that a monument to absolution, tolerance, respect, and cooperation among the people and against hatred and violence should be possibly erected in Tbilisi. [passage omitted]

[Oniani A Georgian delegation visited the State of Israel last week. Agreements were endorsed and a memorandum was signed. You called the visit a historic visit and said that a clue to conflicts can be found in that country. You went to the Holy Land, visited the Jvari Monastery, and had meetings with political figures and our [former] compatriots. How would you assess the visit and how effective was it for us?

[Shevardnadze] Much has already been said about this visit. I shall focus on some major points. The visit to Israel was really a remarkable one. Talks with the leaders of the country were notable for their particular profoundness, vital wisdom, and perception of future developments. I also said that it is not necessary for a political figure to represent a giant country in order to be a wise man. I spoke there with very clever and wise people. I mean the authorities as well as representatives of the opposition. [passage omitted]

As far as economic issues are concerned, I can say that the documents signed there create immense opportunities. Georgian Jews want to and can, as they have said, act as a bridge between Georgia and Israel and generally between Georgia and the Middle East. They have vast ties with the Middle East countries including the Arab countries and Islamic states as well as with European countries and the United States. Certain plans were made.

There is much to be learned from the dialogue of the Israeli leadership with the Arab world, with Palestinians, Jordanians, Syria, Lebanon, of course with Egypt, this great country, and others. I have many old friends in these countries. I welcome the peace processes that started there and, as I said in Israel, peace in the Middle East may become a clue to stability on our planet.

It is remarkable that many countries, The United States or European states, participate in settling this problem of major complexity. But I consider that constructive cooperation of the United States and Russian diplomacy is especially significant because their past confrontation resulted in very grave, I repeat, very grave consequences for the region.

This is my brief comment on the visit. Now, everything depends on how efficiently we shall utilize these opportunities and how seriously our organizations, businessmen, the leaders of our regions will start to manage implementation of the agreements.

[Oniani] The past two weeks — I say two weeks because we did not have an interview last Monday due to your visit to Israel — were very interesting and symptomatic with regard to elections. The Constitution Commission has worked actively. A forum of the Tbilisi organization of the Union of Citizens of Georgia was held yesterday, and speaking there you pointed to the danger of Bolshevik fundamentalism, which you also indicated during your talks in Israel, and you said that the people with money and arms should not win the elections. What are the guarantees today that the very people with money and arms will not gain votes in a country like today's Georgia which is suffering from privation — or rather they buy votes as has already happened in Georgia?

[Shevardnadze] The process of adopting the constitution is in its final phase. [passage indistinct]

General [Panteleimon] Giorgadze [chairman of the Georgian Communist Party] is heading this movement. One would have to be deranged to act under the slogan of revival of the Soviet Union and the fight against Georgia's independence. I shall not insult anyone and will not allow myself to use the epithets he is using with regard to the head of state, but I have to say one thing: This is an anomaly, you know? At first sight, this looks like a pro-Russian stand. In fact, it is an anti-Russian policy because it arouses anti-Russian sentiments in the country. I am addressing Mr. Panteleimon Giorgadze now: We, the Georgian people, the majority of the Georgia's population want friendship, neighborly relations, brotherhood, if you will, in the best sense of the words, with the new Russia. I have said much about Russia's new role, and you are conducting a policy which is contrary to this.

However, that will do. Let us give the people an opportunity to look into everything themselves and give everyone an appropriate appraisal.

As far as the people with money and arms are concerned. All of Georgia must stand together for honest and objective elections. Neither submachine-guns nor candies should be able to win here. Elections based on

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force and violence, the results of such elections will in effect legalize violence, the violence of individual clans and criminals.

The unity of the authorities — the healthy part of the authorities — and the people will secure normal elections. We want as many foreign observers as possible to come here in order that the whole world can see what present-day Georgia, its people, and the political culture of this people are.

[Oniani] You have hardly mentioned economic news in this interview but there is an issue that causes everyone's concern and forces people to make numerous calls to the radio. This is the issue of bankrupt companies, trust companies and banks. Is there anything new with this?

[Shevardnadze] This is a great pain to us and I have signed an edict, which will probably not be published because the main point has been to find a solution to the problem rather than to advertize the action. And actually, if we consider it objectively, the state could ignore the problem because it is not accountable for private companies and private banks. However, we will have to create certain institutions — bankruptcy is a damaging phenomenon by itself and we will have to create mechanisms which will at least slow down the process. Despite all of this, we, the Cabinet of Ministers and I, took into consideration the extremely grave conditions which tens of thousands of citizens found themselves in. I know many of them. There are many scientists, literary and artistic figures among them. There are also many ordinary citizens among them. They have probably sold their last rings and made deposits to these banks and companies in order to ease their life a little. That is why we could not remain indifferent and I think we have managed to find a way out — I am not going to speak about the details of the edict. We made a decision, which was appropriate for our country at this time. I believe these people will be more or less content at the present stage. Help will continue in the future, too.

[Oniani] Finally, yet another point. Last week, the remains of Davit Sarajishvili and his wife were reburied in the Kashveti church graveyard in Tbilisi. It was symbolic that an eminent figure of the past was honored like this. Very soon, in about two months' time, Georgia's first musical competition will be held. [passage omitted] Obviously, people cannot be scared and stopped by terror. They still can be grateful for the past and hopeful for the future.

[Shevardnadze] No kind of terror can turn the machine of history back. As for the reburial of Davit Sarajishvili and his wife, I said in my brief speech yesterday that this was a restoration of historic justice. [passage omitted] I also said that after almost a century, Georgia has taken the path which Davit Sarajishvili and his those kin moved along. This event is also symbolic because it gives incentive to real business. [passage omitted] These entrepreneurs are concerned not only over an economic advance, although an economic advance is the basis for everything. They are concerned — I will tell you their names later — about educating the people because uneducated people will not be able to create big business, to develop good economy. The biggest investment for a businessmen is an investment in education. They are well aware that without profound culture big economy and big business cannot be achieved. [passage omitted] No, I have not finished yet! I would like another two minutes!

Since I always begin my interview with a review of the economic situation, I would like to say that from 1 July, salaries will rise by about 25-30 percent — maybe more, maybe less in some cases. This may be followed by a seven percent rise or readjustment, as we say, of bread prices. This will finally lead to freeing bread prices. The population will have not very high gains, indeed, but at least about nine to 10 percent gains. And about 20-25 percent of the minimum consumer's basket will be guaranteed instead of the present 16 per cent. In addition, we have decided to charge 25,000 coupons for a kilowatt of electricity instead of the previous price of 45,000. Even this may not be easy to pay but we must pay if we want to have electricity in the summer and especially in the winter. [passage indistinct]

Yugoslav Foreign Minister Jovanovic Pays Visit

Meets With Shevardnadze

LD2606171295 Belgrade TANJUG in English 1620 GMT 26 Jun 95

["Pool" item]

[FBIS Transcribed Text] Tbilisi, June 26 (TANJUG) — Georgian President Eduard Shevardnadze, who on Monday [26 June] received Yugoslav Foreign Minister Vladislav Jovanovic, expressed regret over the situation in the former Yugoslavia and promised to back Yugoslavia's stands and the call for anti-Yugoslav sanctions to be lifted.

The talks in Tbilisi focused on possibilities of settling the crisis in the former Yugoslavia and ways in which Georgia could help achieve this in international contacts.

Shevardnadze expressed understanding for Belgrade's peaceful position and active effort to help settle the crisis.

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The Georgian president also spoke about the problems of his country, particularly the separatist movements in the provinces of Abkhazia and South Ossetia.

Jovanovic will on Tuesday end his visit to Georgia and leave for Belgrade.

Discusses Economic Ties With Patsatsia

LD2606161695 Tbilisi Radio Tbilisi Network in Georgian 1200 GMT 26 Jun 95

[FBIS Translated Text] On 26 June Georgian Prime Minister Otar Patsatsia received Yugoslav Foreign Minister Vladislav Jovanovic. The meeting discussed issues relating to the establishment of trade and economic relations between the two countries. The Georgian and Yugoslav foreign ministries have drawn up drafts of trade, science and technology, education, and other agreements. In the near future experts will study the economy of the two countries.

This information was provided by the Cabinet of Ministers press office.

Diplomatic Relations Established

LD2606171195 Belgrade TANJUG in English 1549 GMT 26 Jun 95

["Pool" item]

[FBIS Transcribed Text] Tbilisi, June 26 (TANJUG) — Yugoslav and Georgian Foreign Ministers Vladislav Jovanovic and Aleksandr Chikvaidze signed here Monday an agreement establishing full diplomatic relations between their countries.

The Georgian minister fully supported Yugoslavia's stands towards settling the Balkan conflict and the urgent lifting of the sanctions against the F.R. Yugoslavia as the major obstacle in the way of peacefully resolving the crisis in the former Yugoslavia.

Also suggested at the two ministers' talks was the signing of seven inter-state agreement related to trade, transport, capital investment, culture, tariffs, science, and abolition of visas.

Minister Chikvaidze would soon visit Belgrade, it was agreed.

Minister Jovanovic held talks also with Georgian Prime Minister Otar Patsatsia, when concrete economic matters of mutual concern were considered, while the two countries' businessmen would enter into contacts in the soonest time possible.

Good conditions were noted to exist for cooperation, especially in transport, communications, and fuel and power. The Georgian side was particularly intersted in capital investments and in foreign partners' participation in the overhaul and modernization of the industries.

Minister Jovanovic also met with parliament speaker Vakhtang Goguadze and Minister for Foreign Economic Relations Yosip Pachiashvili. Jovanovic laid a wreath at the tomb to the unknown hero in Tbilisi.

Jovanovic Asks For Help in Joining UN

LD2606185095 Moscow INTERFAX in English 1733 GMT 26 Jun 95

[FBIS Transcribed Text] TBILISI, June 26 (INTERFAX) — Belgrade on Monday [26 June] asked Georgia for mediation in rump Yugoslavia's bid to join the United Nations.

The request was made by Belgrade Foreign Minister Vladislav Jovanovic at a meeting with Georgian Head of State Eduard Shevardnadze in Tbilisi, a spokesman for the Georgian leader said.

Shevardnadze promised to make a proposal for admitting Serbian-led Yugoslavia into the United Nations at a forthcoming economic conference of leaders of Black Sea states, to be held in Bucharest on June 29-30, the spokesman told INTERFAX.

Georgian First Deputy Foreign Minister Mikhail Ukleba told Interfax the main purpose of Jovanovic's current visit to Tbilisi was to "establish diplomatic relations between the two countries."

Asked whether Georgia's having diplomatic relations with Belgrade would not go against the international community's line towards Belgrade, Ukleba said: "There are no essential contradictions here." "Yugoslavia, as a sovereign state, today has diplomatic relations with dozens of countries in the world," he said. "And the international community is discussing lifting all sanctions against Yugoslavia anyway."

Batumi Port Successes Noted

954F2544B Moscow DELOVOY MIR in Russian 8 Jun 95 p 5

[Report by DELOVOY MIR staff correspondent Irina Dzhorbenadze: "The Gates to a Free Economic Zone"]

[FBIS Translated Text] The Batumi merchant marine port operates smoothly. The energy crisis in the republic affected it in the sense that it has to rely on two 3mgw diesel-generators. This fully covers its needs. But it is costly...

Had it not been for railroad problems the port could unload up to 12,000 tonnes of cargo a day on a single pier. As if the railroad did not have enough problems created

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by the energy crisis—the bridge across Natanebi River collapsed, and cargo to Transcaucasus republics has to make a detour. The question of bridge construction is in the works. According to preliminary data, the EU will provide $250,000 for its reconstruction, and Georgia, Armenia, and Azerbaijan, $50,000 each. Then the Batumi port will breath easy and will operate more in sync with the railroad—currently the Batumi port runs substantially ahead.

The bulk of the cargo comes here from the European Association [Evroobyedineniye]. It is grain, foodstuffs, and fuels and lubricants. There are no losses in unloading. The port territory is guarded, and, according to its chief Aslan Bolkvadze, who is also deputy department chief of the Georgian steamship company, the port operated in close contact with the autonomous republic's security service and transportation police. People get fired for stealing even half a kilo of grain.

As he shows his domain, Bolkvadze comments:

"All cranes were repaired during the summer. Some have been in service here for 10 years and will last for a while with good maintenance. The pier is decently equipped. If we had an intergovernment agreement with Russia to that effect and a centralized supply of equipment and spare parts, the port would be outfitted better. At this stage, everything—from ropes to diesel fuel—is being purchased through private middlemen in Russia, Ukraine, and Turkey. There are plans for the port's reconstruction that envisage installing new equipment and technologies. Then it will meet international standards. But these are plans. In real terms, the port already is working with the Moscow company Centrack, which is financing the construction of a railroad-ferry complex. Among its components are piers No. 5 and No. 6. We have allocated 12,000 square meters of space for access tracks. The new complex will operate the steamship Heroes of Shipka, which is 184 meters long and has the carrying capacity of 108 railcars."

So far, the railroad ferry will deliver cargo to Armenia; later on, its route will extend to Azerbaijan. This is the first phase of the complex' construction. The next envisages the development of neighboring piers and the construction of elevators and grain storage facilities. In addition, on agreement with a Moscow company, a special bank will be founded. Besides working with European Association's cargo, the port does commercial shipping for private individuals. The main sea routes—Russia, Ukraine, Bulgaria, and Turkey. Passenger traffic has been suspended, but Bolkvadze's prognosis is optimistic—this is not for long. The port chief says that politics is politics, but seamen remain seamen and do not lose contact. He enjoys more—and it is more lucrative for him—working with former USSR republics than with foreign states.

All in all, the situation in the port is such that it resembles— in a good sense of the word—a state within a state. People here value their jobs, since they are paid better than in other places. The port's profits are far from astronomical, but they enable it to pay employees on average 30 million coupons a month—an equivalent of 130,000 Russian rubles—plus a $135 quarterly bonus. All port employees get free lunch. Medical care (at the level of visits to specialists) and physical therapy also are free. In addition, the port provides material assistance to its retired former employees: supplements their pensions with extra $15. It financially supports many organizations in Ajaria: The opera theater, which costs $3,000 a month, and the dance company, which, by the way, won the first prize in Varna. Many middle schools function thanks to the port's financial support.

It also has its own poultry farm with two incubators, calves, goats, sheep, greenhouses, and vegetable gardens. Bolkvadze himself was the driving force behind the decision on the food program for employees. It was also he, who, without waiting for the port's reconstruction, launched the construction of the new locker facilities with all amenities. Now they resemble comfortable hotel rooms. The profits generated by the port paid for the construction of a 12-story residential apartment house, and 38 apartments purchased for employees.

In short, the port is the foreign currency mother lode that feeds not only Ajaria but partly Georgia as well. It is also a wide-open gate to a free economic zone.

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Estonia

Vahi Notes Advantages of NATO, Russia Dialogue

WS2606133695 Tallinn BNS in English 1300 GMT 26 Jun 95

[FBIS Transcribed Text] Tallinn, Jun 26, BNS — A dialogue between Russia and NATO would help to secure peace in Europe and in the whole world, Estonian Prime Minister Tiit Vahi said in an article published in Monday's edition of the POSTIMEES daily.

Declining to comment on the NATO decision to grant Russia a special status in the Partnership for Peace program, Vahi said he was sure that a dialogue between NATO and Russia would have a positive influence on top Russian military.

"Maybe it's through holding talks with NATO that they will be able to adopt a wider perspective and see the world as a whole," Vahi said.

"It would be extremely dangerous if Russia were left alone, with its 20,000 nuclear warheads, to admire its muscle," Vahi said.

Speaking about Estonia, Vahi said working closely with NATO was vital for the country's security. He said the country also understood that such cooperation took a lot of money. "But independence is a thing one has to pay for," he said.

Vahi said security policy was one of the most important fields of activity of his government.

President Meri Flies to France for EU Summit

LD2606182595 Moscow INTERFAX in English 1515 GMT 26 Jun 95

[From the "Presidential Bulletin" feature: compiled by Nikolay Zherebtsov, Andrey Petrovskiy, edited by Vladimir Shishlin]

[FBIS Transcribed Text] President Lennart Meri flew to Cannes, France, Monday to attend a European Union summit, officials in his press service told INTERFAX.

Meri will attend the discussion of EU's aid worth ECU 6.2 billion to Central and East European countries. He is also expected to take part in the debate on security and economic cooperation in the Baltic region. It was Swedish Prime Minister Ingvar Karlsson who suggested including this item in the summit agenda.

Meri flew to Cannes from Germany where he had taken part in the opening of the Days of Estonia in North Rhein-Westphalia.

From Cannes he will fly on to Montanas, Switzerland, to attend a meeting of that country's businessmen and financiers.

Sinijarv: Tallinn 'Must Take Russia As It Is'

LD2606202295 Tallinn Radio Tallinn Network in Estonian 1700 GMT 26 Jun 95

[FBIS Translated Excerpt] The leaders of 15 EU member states are gathering in Cannes today. Madis Mikko interviewed Estonian Foreign Minister Riivo Sinijarv. [passage omitted]

[Begin recording] [Mikko] One of the important issues at the Cannes meeting is relations with Russia and the signing of an interim agreement. You just mentioned that Estonia may also have something to say about this. What is Estonia's position?

[Sinijarv] Estonia wishes to normalize its relations with Russia. Estonia is following developments in Russia with attention and supports democratic developments in Russia. Estonia's definite position is that we must take Russia as it is and not as we would like it to be. We think that such a pragmatic approach will provide us with a good basis for planning our behavior. [passage omitted] [end recording]

Officials Prepare for Kozyrev-Sinijarv Meeting

LD2606164295 Tallinn Radio Tallinn Network in Estonian 1300 GMT 26 Jun 95

[FBIS Translated Text] Raul Malk, a deputy chancellor of the Estonian Ministry of Foreign Affairs, met Russian Deputy Foreign Minister Sergey Krylov in Moscow today.

After the meeting, Malk refused to comment to BNS on the issues discussed; he only said that it was a consultative meeting.

Estonian Foreign Minister Riivo Sinijarv said earlier that Malk and Krylov were preparing for a meeting between him and Russian Foreign Minister Andrey Kozyrev. Initially, Sinijarv and Kozyrev were to meet in June, but the meeting will evidently be postponed until July.

Sinijarv and Kozyrev are expected to focus on the Estonian-Russian border and the July agreements.

Latvia

President Departs for EU Summit in Cannes

LD2606192495 Riga Radio Riga Network in Latvian 1700 GMT 25 Jun 95

[FBIS Translated Text] Latvian President Guntis Ulmanis went to Cannes this morning. This is the first time in Latvian history when the head of our state has been invited to a meeting of the European Union heads of state. Several bilateral meetings with representatives of

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other countries have been scheduled for the Latvian delegation for tomorrow.

Prime Minister Departs for Strasbourg

LD2606202395 Riga Radio Riga Network in Latvian 1700 GMT 26 Jun 95

[FBIS Translated Text] A regular session of the Parliamentary Assembly of the Council of Europe opened in Strasbourg today. Latvia is represented there by a Saeima delegation headed by Andrejs Pantelejevs.

Latvian Prime Minister Maris Gailis also left for Strasbourg this afternoon. Tomorrow he will make a speech and meet Miguel Martinez, president of the parliamentary assembly.

In his speech, Gailis will address the protection of human rights and the rights of minorities in our country. The regime which guarantees minority rights that has been worked out in Latvia will have particular emphasis. The prime minister will also familiarize the parliamentarians of the Council of Europe with Latvia's economic development.

Vilnius Protests Over Riga's Oil Exploration Talks

LD2606180595 Riga Radio Riga Network in Latvian 1600 GMT 26 Jun 95

[FBIS Translated Text] The Lithuanian Ministry of Foreign Affairs today submitted to the Latvian embassy in Vilnius a note in which it once again protests against Latvia's talks with companies from other countries on the possibility of oil extraction in the disputed area of the Baltic Sea.

The Latvian actions are called illegal in the document, and it notes that Lithuania will not continue to discuss a draft agreement on the sea border. Latvia submitted such a draft agreement on 8 June, when it also announced that talks with two U.S. and Swedish companies on the possibility of oil extraction in the Baltic Sea were being discontinued. But last week, Inesis Feiferis, the state secretary at the Latvian Ministry of the Economy, reported the beginning of a regular round of the above-mentioned talks. Feiferis said that he had not received a communication from the Ministry of Foreign Affairs to the effect that the talks will have to be discontinued.

Lithuania

Brazauskas To Take Part in Cannes EU Meeting

LD2606181595 Moscow INTERFAX in English 1515 GMT 26 Jun 95

[From the "Presidential Bulletin" feature: compiled by Nikolay Zherebtsov, Andrey Petrovskiy, edited by Vladimir Shishlin]

[FBIS Transcribed Text] President Algirdas Brazauskas is due to take part in a coming meeting of heads of state and heads of government of full and associated member countries of the European Union.

Brazauskas's foreign policy aide Justas Paleckis has called the president's participation in the meeting, to be held in Cannes, France, on June 27-28, "an event of enormous importance, which confirms the fact that Lithuania is becoming a member of the family of a uniting Europe."

Paleckis told INTERFAX that the fact that the Lithuanian president will take part in such a forum showed that Lithuania, which on June 12 became an associate EU member, "has received a chance to participate in a dialogue and to some extent influence the making of decisions on such major problems as the process of further integration in Europe and the development of cooperation in economics, politics and the strengthening of security."

In Cannes Brazauskas will "advocate not only the acceleration of the integration of the country into European structures but also the principle that not a single country must be isolated from Europe-wide processes," the aide said.

Participation in the Cannes meeting also gives Brazauskas the opportunity to have several bilateral and multilateral meetings "which will undoubtedly have a positive influence on the development of Lithuania's links and cooperation with European states," Paleckis said.

SACEUR Commander Arrives in Vilnius

LD2606172095 Vilnius Radio Vilnius Network in Lithuanian 1400 GMT 26 Jun 95

[FBIS Translated Text] General George Joulwan, supreme allied commander of NATO forces in Europe [SACEUR], arrived in Vilnius today.

Speaking at Vilnius airport, General Joulwan said: We hope that all countries that joined the Partnership for Peace program can live in peace and harmony. He reminded that Lithuania's great neighbor, Russia, is also a participant of this program. Nevertheless, every

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country is always more or less exposed to danger and should choose its security policy herself, the high-ranking officer noted.

General Joulwan arrived to Lithuania together with his wife and a delegation of 14 members. During his three day visit, General Joulwan will be meeting the Lithuanian president, prime minister, minister of national defense, minister of foreign affairs, and other Lithuanian officials.

Maneuvers Strengthen Links to NATO Countries

MM2706093195 Moscow PRAVDA in Russian 24 Jun 95 p 3

[Report by Vladas Bikulichyus: "'Amber Hope' With a Touch of NATO"]

[FBIS Translated Text] Vilnius — Maneuvers code-named "Amber Hope-95," involving the Armed Forces of Poland, Denmark, and Lithuania, have ended in Lithuania. Their orientation was markedly that of a "peacekeeping" operation: The quelling of an imaginary conflict between Muslims and Christians was acted out. The maneuvers were carried out in accordance with rules established by the United Nations — no trenches were dug and there was no damage inflicted on the environment.

People in the Lithuanian military consider that, if Poland joins NATO, this will facilitate the first Baltic country's admission to the bloc.

The Lithuanian Army enjoys wide technical assistance from Polish and Danish military specialists. The other day a delegation of high-ranking Pentagon officials arrived in Lithuania to prepare a visit by Defense Secretary W. Perry to the Baltic countries and joint maneuvers by U.S. and Lithuanian military units. An official reception for a U.S. warship took place in the seaport of Klaipeda. All the events are being conducted as part of "Partnership for Peace."

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